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THE HOG INDUSTRY IN SWEDEN . . .

. . . By H. E. Reed*

Sweden is a country with a well-balanced economy and a high standard of living. Because of this and the fact that farming is confined largely to the southern third of the country, an intensive agriculture has been developed. Livestock production is an important part of that agriculture.

The hog industry is a side line to dairy farming, with production directed largely toward supplying domestic pork requirements. Exports consist primarily of hiltshire sides to the United Kingdom and rarely exceed 15 percent of total pork production. Formerly, appreciable quantities of American pork products, principally lard, were imported; but reduced outlets for Swedish pork products have caused an increase in consumption of domestic pork and a corresponding reduction in pork imports.

Sweden is primarily an industrial country; and the majority of employed persons are engaged in obtaining, processing, and marketing the forest products and ores of which the country has abundant supplies. ^{1/} Over half the total area is covered with forests, about a third is waste land, and only about an eighth is available and suitable for agricultural purposes. While the area devoted to farming is comparatively small, the high degree of efficiency attained by Swedish farmers and the relatively small population permit the production of most of the basic food requirements of the Swedish people, and agriculture rounds out Sweden's well-balanced economy.

Forests and waste lands cover the northern two-thirds of the country, and in this section farming is of no importance. The important agricultural area lies in about 111,000,000 acres, about 10 percent of which is devoted to agriculture. Census data for 1932 show the agricultural area utilized as follows: Field crops, 9,204,000 acres; vegetables 79,000; natural meadows, 1,043,000; annual and permanent pastures, 1,653,000. The principal field crops, in the order of their importance, are oats, wheat, maslin, barley, rye, potatoes, and beets.

*Agricultural Commissioner, Foreign Agricultural Service; based on investigations conducted in Sweden in December 1937.

^{1/} In 1930, Sweden had a population of 6,142,000, of which 39.4 percent obtained their living from agriculture, forestry, and fishing, 35.7 percent from industry, 18.2 percent from trade and traffic, and 6.7 percent from public service and other pursuits.

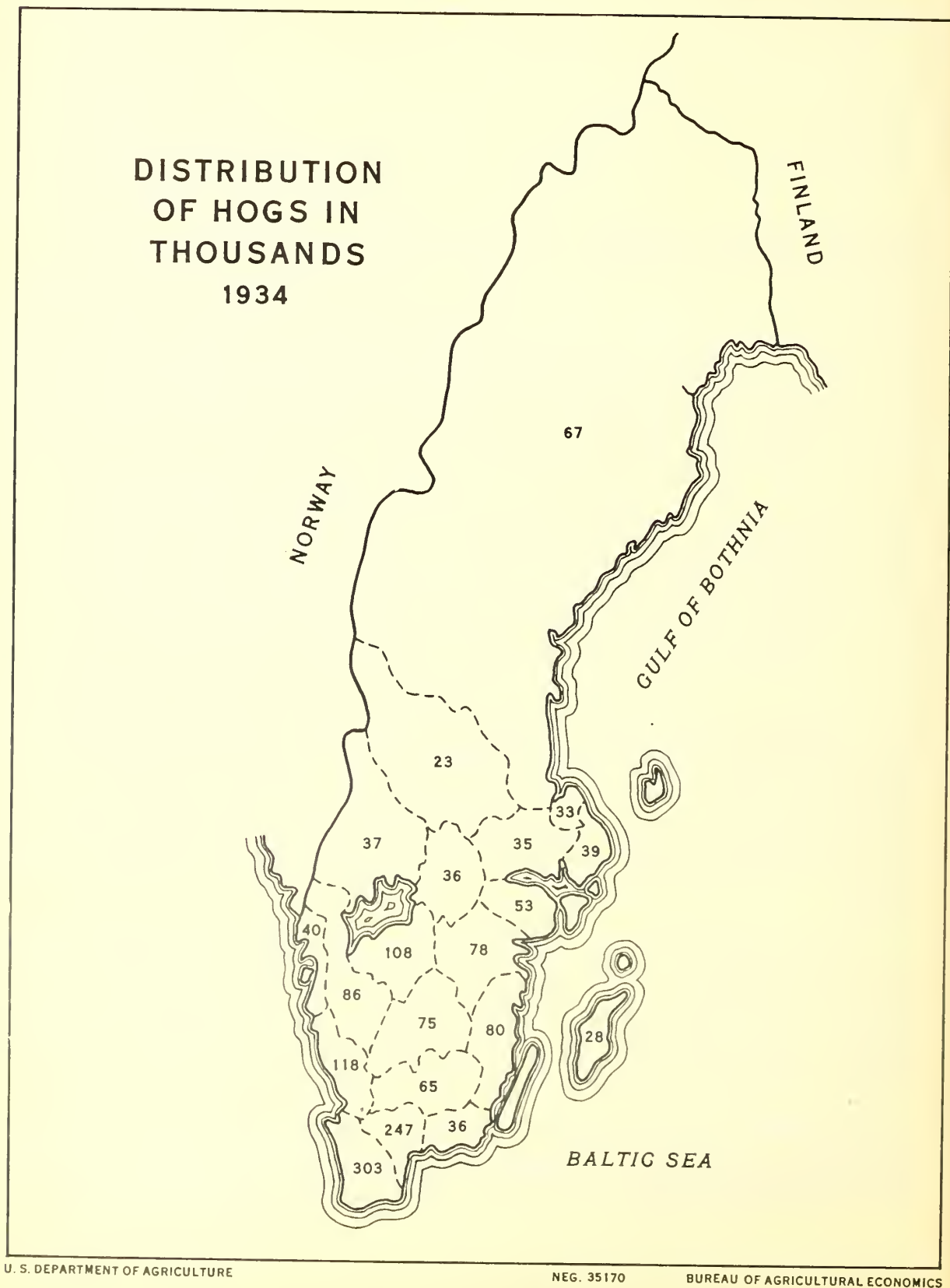


Fig. 1. Map of Sweden.

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Swedish agriculture has developed along lines quite similar to those followed in Denmark, although Swedish agriculture is less intensive and has been directed largely toward supplying home rather than export markets. Like Denmark, Sweden is a country of small farms and peasant owner-operators, with 92 percent of the farms less than 50 acres in size and 80 percent of them operated by owners. As would be expected under such conditions, livestock production is the most important phase of agriculture, and exportable surpluses of butter and pork are produced. Certain feed-stuffs must be imported; and, because the Swedish people maintain a high standard of living, appreciable imports of fruits, vegetables, and tropical foods are also necessary.

DEVELOPMENT OF THE HOG INDUSTRY

Sweden's livestock industry underwent an expansion in the latter part of the nineteenth century, because of the competition met on export markets from new-world grain-producing countries, the industrialization of Europe, and the increased demand for livestock products. In the expansion of the dairy industry, the invention of the cream separator was also a factor. The development of the livestock industry in Sweden followed that in Denmark, and Danish production practices were adopted in Sweden. Until early in the twentieth century, commercial hog production was principally in the hands of large private-owned dairies, which kept hogs to utilize the supplies of skim milk and whey. Small farmers kept hogs largely for their own use. When cooperative dairies were established in the early 1900's and skim-milk supplies were returned to members, hog production also reverted to farmers and became a side line to dairy farming. Prior to the adoption of Danish methods, the objective was the production of fat hogs for domestic consumption and export as live hogs to Germany; but, as the dairy industry grew and export outlets for fat hogs disappeared, Swedish farmers centered their attention on bacon-hog production. The home market learned to prefer a bacon-type hog; and the hog surplus, which amounted to 15 or 25 percent of total production, was exported mostly to England in the form of mild-cured Wiltshire sides. It was only after 1910, however, that Sweden's exports of hogs and pork products exceeded imports.

NUMBERS, TRENDS, AND DISTRIBUTION

Hog-census data for Sweden are meager, but such as are available show little changes in numbers from 1800 to 1880. The previously mentioned expansion occurred after 1880 and, stimulated by increased demand for pork and the establishment of co-operative dairies, continued until the outbreak of the World War. Difficulties in obtaining feed-grain imports during the war period resulted in a sharp decline, and it is estimated that by 1918 hog numbers were reduced approximately to 1890 levels. After the war, hog numbers were quickly restored, hog production increased steadily, and an all-time high was reached in late 1931. The increase, which was most rapid during the period 1927-1931, was due in 1928 and 1929 to price increases and later to farmers' efforts to offset the effect of sharp price declines in their income by increasing production. Low prices in 1932, followed by Great Britain's adoption of bacon import quotas, brought about a declining tendency between 1931 and 1935; but since the latter date numbers have been kept at a relatively stable level.

Census and estimate data show a tendency toward production cycles, and Swedish students of hog production maintain that, prior to the depression, cycles of from 3 to 4 years' duration occurred for the same reasons and with about the same regularity as in other hog-producing countries. Government measures adopted in 1934, if continued, are expected to prevent, or at least to minimize the effect of, the usual causes of hog-production cycles.

Table 1. Hog numbers in Sweden, 1805-1938

| Fall census | Number | Fall census | Number |
|-------------|-----------|-------------|-----------|
| 1805 | 400,000 | 1927 | 1,387,000 |
| 1870 | 354,000 | 1930 | 1,761,000 |
| 1880 | 419,000 | 1931 | 1,801,000 |
| 1890 | 645,000 | 1932 | 1,542,000 |
| 1900 | 806,000 | 1933 | 1,790,000 |
| 1910 | 957,000 | 1934 | 1,595,000 |
| 1916 | 1,065,000 | 1935 | 1,352,000 |
| 1918 | 600,000 | 1936 | 1,444,000 |
| 1919 | 717,000 | 1937 | 1,436,000 |
| 1920 | 1,011,000 | 1938 | 1,450,000 |

Svinet, Sven Bengtsson; American Consulate General, Stockholm; International Institute of Agriculture, Rome.

The distribution of hogs is closely related to feed-grain production and the distribution of dairy cattle. Consequently, hog numbers are most dense in the farming areas of southern and central Sweden. Three Provinces - Malmöhus, Christianstad, and Hallands, which lie in the extreme southern end of the country and are the most fertile in Sweden - have about 42 percent of all hogs and produce most of the export surplus. About 54 percent are located in the other southern and central Provinces, and only about 4 percent are to be found in the northern and forested districts.

TYPES AND BREEDS

Like other countries in northern Europe that specialize in the production of bacon, Sweden has only two breeds of hogs - Swedish Landrace and Swedish Large Whites. Both breeds are of the extreme bacon type that has been perfected in Sweden. Swedish strains of hogs compare favorably with Danish in prolificacy, early maturity, food consumption, and quality, and excel Danish hogs in length of carcass.^{2/} The im-



Fig. 2. Landrace sow.

provement of indigeneous strains of Celtic hogs by selection took place in Denmark and Germany earlier than in Sweden. Danish Landrace and German Veredelte Landschweine were imported during the last half of the nineteenth century and were crossed with native hogs to develop the Swedish Landrace. Much that was undesirable in the native hogs has been eliminated by crossing, selecting, and testing, and the desirable characteristics of hardiness and prolificacy have been retained.

^{2/} Swedish breeders have selected for extreme length, and Swedish bacon has long been favorably regarded by British retailers because of the high percentage of back bacon that may be cut from Swedish sides. It appears, however, that Swedish breeders may have sacrificed certain other characteristics in their efforts to obtain extreme length and a minimum of back fat; and, since 1936, more attention has been given to hams and thickness of bellies in selecting breeding stock. To encourage this movement, bacon factories are now paying a premium of 2 öre per kilogram (about 0.1 cent per pound), slaughter weight, for Class I hogs with good hams and thick bellies.

Large Whites were introduced about 1890; and, after they had proven their superiority over other English breeds for Swedish purposes, further importations were made. Largely through the efforts of one breeder,^{3/} who has promoted Large Whites, the breed has become the most popular for export bacon production. Breeders of both

breeds at present select for the same type, but the Landrace has not been perfected to the same extent as the Large White. Testing stations and carcass test results show little difference between the two breeds. These data indicate that Large Whites require slightly more feed per pound gain but yield a higher percentage of export bacon than do Landrace hogs. On the other hand, Landrace hogs are hardier and are better feeders, and the sows are better mothers.

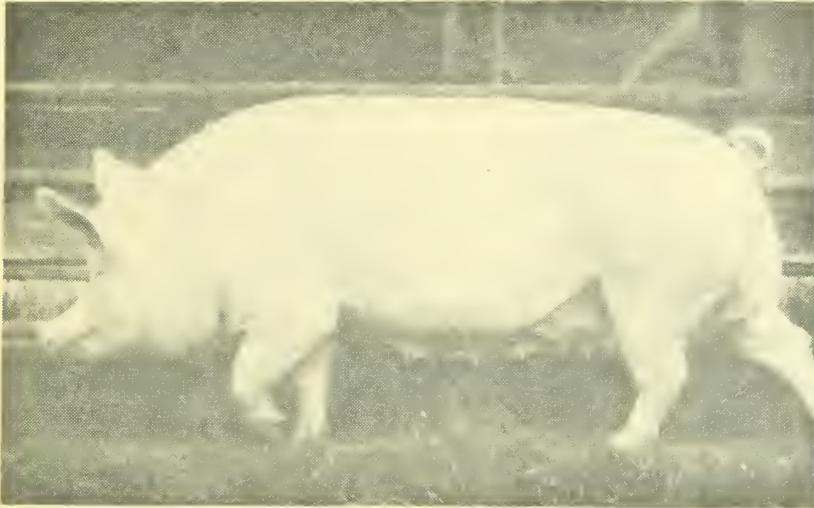


Fig. 3. Swedish Large White sow. (Courtesy P. Bondesson, Svalöf.)

Hog improvement has been brought about through State aid and the cooperation of agricultural societies, breeding associations, and private breeders. Breeding centers, testing stations, herdbooks, and boar societies have been established, and performance records have been used as the basis for selecting breeding stock. In addition to the above, which are identical with Danish methods, Swedish breeders of purebred hogs for years have followed the practice of weighing litters of pigs when they are 3 weeks old. Since 1932, herdbook societies have been requiring these records for all purebred sows, and the weights are used as a measure of the sow's ability to suckle her litter and are incorporated in her performance record.



Fig. 4. Swedish Large White boar. (Courtesy P. Bondesson, Svalöf.)

Swedish animal-husbandry specialists estimate that about half of all hogs in Sweden show a predominance of Large White blood, the other half showing the influence of Landrace. In the southern bacon-exporting Provinces, about 80 percent of the hogs are Large Whites; but in central and southern Provinces the Landrace predominates. In Swedish herdbooks more Large Whites than Landrace are recorded; but in recent years the number of recorded Landrace hogs has shown a marked increase, recent books listing Landrace as about a third of the total compared with about a fifth a few

^{3/} Per Bondessons Agricultural Company.

years ago. The Landrace is also gaining in popularity with farmers, partly due to its hardiness and lower feed requirements and partly to a belief that lop-eared hogs give better results.

PRODUCTION PRACTICES

About 70 percent of all farms over half an acre in size have hogs, but most of the commercial production is conducted on farms of more than 25 acres. In general, hog farmers operating from 25 to 75 acres keep from 2 to 6 sows and fatten their own pigs. Farmers on holdings of less than 25 acres who keep one or more sows feed out only such hogs as they need for their own use, the others being sold on feeder-pig markets. The larger farms, those of more than 75 acres, usually specialize more in grain production and, while most of them fatten hogs, they seldom keep sows, depending on feeder-pig markets for their feeder supplies. Some of the larger farms and private dairies conduct fattening operations on a very large scale.

Table 2. Distribution of hogs in Sweden by size of farms, 1932

| Size in acres | Number of farms | Farms with hogs | | Number of hogs |
|--------------------|-----------------|-----------------|---------|----------------|
| | | Number | Percent | |
| 0.6 and under..... | 101,856 | 24,236 | - | 63,313 |
| 0.6 - 2.5..... | 60,258 | 19,354 | 32.1 | 30,677 |
| 2.5 - 4.9..... | 60,980 | 29,647 | 48.6 | 47,371 |
| 4.9 - 12.4..... | 116,515 | 78,769 | 67.6 | 171,850 |
| 12.4 - 24.7..... | 95,848 | 80,961 | 84.5 | 290,244 |
| 24.7 - 49.4..... | 59,524 | 55,179 | 92.7 | 356,463 |
| 49.4 - 74.1..... | 17,176 | 16,356 | 95.2 | 169,335 |
| 74.1 - 123.6..... | 10,821 | 10,272 | 94.9 | 148,200 |
| 123.6 - 247.1..... | 5,100 | 4,633 | 90.8 | 98,655 |
| Over 247.1..... | 2,395 | 2,083 | 87.0 | 119,299 |
| Total..... | 530,473 | 321,490 | 60.6 | 1,495,407 |

Statistisk Årsbok för Sverige, 1937.

Farmers with large numbers of sows have their own boars; others depend on community boars and those owned by their neighbors. Since 1929, Swedish law has made it compulsory for all boars that serve sows belonging to others than the boar owner to be inspected and approved by a commission. In the inspection, particular stress has been placed on controlled pedigrees, quality, and conformation.

Breeders follow a two-litter system and March-April and October-November are the principal farrowing seasons. Farmers in the southern Provinces producing hogs for export bacon factories, however, tend to have farrowings more evenly distributed throughout the year; and this tendency is in evidence in monthly breeding reports that are now being taken for use as a guide to future production. At breeding centers, where unusual care is given to sows, the number of pigs weaned per sow averages from 9 to 10, but for the country as a whole the number weaned is estimated at about 8.

As in Denmark, hog production is a side line to dairy farming, and skim milk is the basis and principal source of protein in Swedish growing and fattening rations. Pigs are weaned at the age of from 6 to 7 weeks and fed a growing ration high in protein until they weigh from 55 to 88 pounds, after which they are fattened. Barley, corn, and oats are the most widely used feed grains. Waste potatoes are fed to a small extent and add variety to the ration. Small farmers operate largely, and commercial feeders almost entirely, on purchased feeds; and Sweden is dependent on

imports, mostly corn, for from 10 to 20 percent of the hog-feed supplies. Testing stations use a ration consisting of 25 percent skim milk, 45 percent barley, and 30 percent corn, and obtain about 1 pound of gain for each 3.5 pounds of feed. Farmers and feeders follow testing and experiment station results closely and feed as much like testing stations as their own feed supplies and prices of purchased feeds will permit; but in general their feed requirements per pound gain run about 4.5 pounds. In most commercial fattening operations, the aim is to produce a medium finish and attain a bacon weight of from 195 to 205 pounds, live weight, at 6 months of age. Hogs of this weight and age are demanded by export bacon factories, and on the home market most consumers have also learned to prefer pork from bacon-weight hogs. Hogs that farmers finish for their own use are usually fattened to much heavier weights, as are hogs processed for consumption in the northern woods and for export as live hogs to Germany, the latter being most acceptable at a weight of 285 pounds.

The climate in Sweden is such that pasture is assured for at least 5 months each year, and pastures are used extensively for breeding sows and growing pigs. Ground grains, skim milk and other waste products, green fodders, and pastures are the principal feeds for breeding hogs. Considerable care is taken to insure proper feeding, including sufficient protein and minerals, which, together with the exercise given sows and boars, has a great influence in making Swedish hogs live long and productive lives.

DISEASES

Hog diseases are not a serious problem in Sweden because of the cleanliness prevailing around barns and sties, the general use of pastures for sows and growing pigs, and the fact that, despite the small size of most holdings, hogs are seldom crowded. Practically all of the skim milk used in hog feeding is pasteurized, and even in the important dairy districts only about 2 percent of the hogs slaughtered under inspection show tuberculosis. Influenza in the winter and swine erysipelas in the summer are the worst diseases, but under Swedish conditions neither seem difficult to control.

MARKETING

Large central or municipal markets do not play an important part in Swedish marketing practices. Where such facilities are provided, they serve mostly as holding pens prior to slaughter at municipal abattoirs or cooperative or private packing plants. Cooperative and private slaughterhouses handle most of the finished hogs sold in Sweden, and both buy direct from farmers. In recent years (see section on Government aid) slaughterers have obtained supplies in specified territories; there is little competition between them



Fig. 5. Wagonloads of feeder pigs reach the market.

for supplies in producing areas; and the movement from surplus to deficit areas is in the form of pork rather than as live hogs. Butchers and exporters (principally cooperative bacon factories) also buy direct from farmers through their own agents. Marketing costs, consequently, rarely appear in sales accounts.

The marketing of feeder pigs is done through village or established feeder-pig markets, the latter being the principal outlet for the surplus production of small farmers. Such markets are also sources of feeder-pig supplies for commercial feeders, although many of them regularly buy direct from small farmers whose strains are known from previous experience. Traders are an important factor in the feeder-pig trade. They buy feeder pigs directly from farmers or at markets and reoffer them on other pig markets, moving from one market to another when prices are not satisfactory. In southern districts, where small farms are numerous, there are certain villages in which feeder-pig markets are held throughout the year, offerings on the principal market running as high as 3,000 a week in season, and seldom under 1,500 a week.



Fig. 6. Feeder pigs in crates at a market place.

PROCESSING

In late 1937, Sweden had 32 cooperative and 5 private bacon factories and slaughterhouses.^{4/} Though Sweden's slaughter industry is one of the oldest in Europe, laws having been adopted in the seventeenth century regulating slaughter of animals and sale of meat, cooperative slaughterhouses were established in Sweden later than in Denmark. The producer-cooperative movement, however, made considerable headway and was largely responsible for the development of Sweden's bacon exports to England. In recent years cooperative slaughterhouses have received a stimulus from measures adopted by the Government to aid the hog industry (see page 138). In addition to slaughterhouses, abattoirs are maintained at several of the important cities - notably Stockholm, Göteborg, and Malmö - where private butchers, both wholesale and retail, make use of the facilities provided by municipalities. In out-of-the-way places, a few local butchers slaughter on their own premises. About 80 percent of the hogs entering commercial channels are handled by cooperatives, about 5 percent by private factories, and the remainder by butchers. Cooperative factories maintain chains of retail stores in cities and retail delivery trucks in rural areas.

Most of the processing is done for the domestic market; only about 15 percent of Sweden's total hog production has entered export trade in the past few years. Officials of cooperative slaughterhouses estimate that, while about 40 percent of the bacon produced in Sweden is exported, fully 80 percent of the total output of pork is placed on the domestic market. More is sold as fresh pork than as cured pork. Bacon for export to Great Britain is processed as Wiltshire sides, and a mild cure is also

^{4/} One of the packing plants is owned by Konsum, the consumers' cooperative, and is entitled to a part of the British import quota.

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used for much of the cured pork sold at home. Swedish export bacon has been standardized and is graded like Danish. For many years Swedish bacon sold on British markets at only a slight discount below Danish, and throughout the greater part of 1937 it equaled Danish in price. There are five factories that specialize in sausage making, and Swedish plants also prepare tinned hams, picnics, and numerous other delicatessen products. Lard is not an important product because little trimming is done on domestic pork or Wiltshire sides. Open-kettle lard is rendered at the larger plants.

A strict and efficient veterinary inspection is maintained at all plants and abattoirs. Veterinary officers charged with inspection duties are responsible to the Board of Health; and the Board has issued detailed instructions regarding sanitation and sterilization of slaughter facilities, pre- and post-mortem inspection, utilization of condemned animals, etc.

FOREIGN TRADE IN PORK

Pork is the most important meat in the Swedish diet, and hog production is directed largely toward supplying domestic requirements. Reduced export outlets for bacon in England have not diminished Swedish efforts to perfect and produce bacon hogs, because Swedish consumers, especially those who purchase pork, have become accustomed to, and prefer meat from, bacon-type hogs. Pork that is fatter than that obtained from bacon-weight hogs is still desired by farmers, most of whom fatten bacon-type hogs to about 330 pounds, live weight, to slaughter for their own use. It is estimated that about a fifth of total annual slaughter comprises heavy hogs slaughtered on farms. Hogs entering commercial channels in recent years have approximated 1,500,000 head annually, and of these about 250,000 have been exported alive or processed.

Swedish imports of pork have consisted largely of salted fat backs, which are preferred by laborers in the northern forested areas. This trade declined from 1925 through 1932. With the revival in Sweden's forest industry, imports increased from 1933 to 1935 and were maintained during 1936. They declined, however, in 1937. Lard imports have shown a declining tendency since 1924, and since 1930 exports have exceeded imports. The United States has always been the principal supplier of both fat-back and lard imports, and the decline in trade has come with the contraction in Swedish exports and greater domestic consumption of Swedish products.

The only important Swedish exports of pork during the post-war period have been of Wiltshire sides to Great Britain. Prior to the adoption of British import quotas, the trade was not characterized by the regularity desired by British distributors but fluctuated widely from year to year with changes in production and domestic demand. The peak year for bacon exports was 1931. From that year through 1936, exports declined as British quotas were progressively reduced. In 1937, exports increased over those of 1936 because of increased European import demand for pork arising largely from declining hog production. The Swedish share of the British import quota, based on imports during the period 1926-1931, was fixed at 4.7 percent, which gave Sweden fifth place (after Denmark, the Netherlands, the United States, and Poland) among foreign supplying countries. An unimportant and very irregular export trade in fresh-pork carcasses has been conducted, mostly with Germany, and during the last few years minor exports of tinned hams and other delicatessen products have taken place. Lard exports, directed mostly to England and Germany, showed a declining tendency from 1931 to 1935, but increases occurred in 1936 and 1937 with an increased movement to Germany under clearing agreements.

Live-hog exports from Sweden prior to 1936 consisted largely of feeder pigs to Denmark. The trade assumed important proportions during the period 1927-1931,

but disappeared entirely as Denmark's overproduction exceeded remunerative export outlets. In late 1936, an export trade in fat hogs weighing 285 pounds or more developed as a result of the trade agreement with Germany. Exports to Germany continued at a rate of from 2,000 to 3,000 per month until late in 1937 when the Swedish surplus problem was overcome and exports ceased. ^{5/}

GOVERNMENT AID FOR THE HOG INDUSTRY

Rapid reduction in consumer purchasing power during crisis years and increasing competition on British markets made conditions in the Swedish hog industry very difficult in the early 1930's. Simultaneously, production in Sweden reached a high point; and, as a consequence, hog prices, which had averaged Kr. 1.10 per kilogram, live weight, during the period 1925-1929, dropped to Kr. 0.95 in 1930, and to Kr. 0.59 in 1931 - the peak year of hog production. Hog numbers declined from the high level of 1931, but in late 1932, before production had been reduced to a satisfactory level, Great Britain imposed quantitative limitations on bacon imports, which further increased the difficulty of disposing of the Swedish surplus.

Early in 1933, when Government aid for the hog industry became necessary, only about 50,000 farmers were members of livestock cooperatives, and there was no nationwide organization or set-up in Sweden, such as there was in Denmark, through which farm-aid measures could immediately be put into operation. The Government adopted a policy of fostering producer cooperatives and developing them for the purpose of administering farm-aid measures, and a State loan was granted for establishing and equipping cooperative slaughterhouses. The number of cooperative slaughterhouses increased and producer membership expanded to about 170,000. The percentage of total hog slaughter handled by cooperatives increased from 40 percent to 80 percent, and cooperative slaughterhouses, which had formerly operated independently of one another, were combined in a national association, the Federation of Swedish Slaughterhouses. In addition, an official Government commission was set up to administer livestock-aid measures, and a slaughter tax on livestock was levied in order to provide necessary funds for operation of the measures.

With control of the bulk of pork supplies, the authorities took steps to eliminate unnecessary competition, direct an orderly movement of supplies from surplus to deficit areas in Sweden, fill British quotas in an acceptable manner, take care of the remaining surplus, and influence production in such a way that gluts and shortages could be avoided and, at the same time, hog prices maintained at levels that would neither stimulate production nor be ruinous to farmers.

Uniform hog grades, methods of payment, and prices were introduced through the medium of cooperatives; and private factories and butchers were forced to follow. In addition, cooperative slaughterhouses in different sections were grouped into associations, and the country was partitioned into districts in each of which an association was permitted to operate. For example, in the southern districts, where most of the surplus is produced, 12 cooperative slaughterhouses have been grouped into two associations (one having seven plants, the other five). Similar, but not such large associations, have been formed in other districts. Each group is free to operate in its own district in buying hogs, processing, and wholesaling or retailing the products, so long as the latter bring prices within the range prescribed by the authorities. Supplies that cannot be sold within the district at desired prices become surpluses and are turned over to the Federation of Swedish Slaughterhouses. All

^{5/} Prices paid by Germany for hogs under clearings are not the same to all countries, varying not only among countries but from time to time in accordance with arrangements between the exporting countries and Germany. At times the export of live hogs from Sweden to Germany involved losses that were made good from funds provided for that purpose. An interesting feature of the trade in hogs and lard conducted under clearings is that Germany is trading goods for Sweden's foreign exchange (i.e., the foreign exchange that Sweden uses for hog-feed imports) and obtaining the products for which Germany does not have the necessary foreign exchange.

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sales of pork products outside the district in which they were produced are made, in theory at least, under the direction and for the account of the Federation. In this way competition in sales has been eliminated, and an orderly movement to consuming areas has been effected.

Prices paid to farmers have ostensibly been left free, but attempts have been made to regulate the movement of supplies in such a manner that hog prices would be kept within a range compatible with the varying price objectives of the authorities. This policy, of course, makes it necessary for the Federation to take over the surpluses (quantities unsalable within the desired price range) and export them or store them for future disposition. The Federation takes over the surpluses at the desired domestic price and exports them at world prices.^{2/} Losses are made good from funds derived from slaughter and other taxes, and when profits occur they are added to the fund. This system of regulation has eliminated most of the obvious influences of world pork prices on Swedish hog prices.

A direct control over production has not been adopted or contemplated, but an indirect influence on production can be brought to bear through application of the livestock measures. When the authorities desire to do so, profits derived from hog operations can be affected by raising, lowering, or abandoning slaughter taxes, withholding profits on exports from bacon factories, covering losses incurred on exports, decreasing or increasing supplies released to domestic consumers, and manipulating the import levies on feedstuffs.

It is questionable, however, whether present conditions are as much the result of these measures as they are of factors outside the control of the authorities; certainly other factors have favored the operation of the scheme. Since 1934, hog prices have shown a rising tendency, as would be expected from the fact that production declined from the high level of 1931 before the measures became effective. Furthermore, economic recovery began in 1932, Sweden has enjoyed boom conditions in business and employment since 1934, British bacon prices have advanced, and Germany has offered an outlet for live-hog surpluses under clearing agreements at acceptable prices. Average annual hog prices advanced from Kr. 0.56 per kilogram, live weight, in 1934 to 0.83 in 1935 and 0.89 in 1936, and at the close of 1937 quotations were about Kr. 1.10 per kilogram. Hog-feed price relationships also improved from the low of 1 : 4.3 in 1934 to 1 : 5.8 in 1935, but did not reach the favorable ratio of 1 : 6 until 1936.^{3/} An import duty (Kr. 0.03 per kilogram) on feed grains was levied in May 1934 in order to protect grain growers, and funds derived from this source permitted an abandonment of the Kr. 0.50-per-head slaughter tax at the end of that year. Early in 1936, however, the slaughter tax was restored, and doubled when it appeared that an increase in production and prospective reductions in British bacon quotas would result in unremunerative surpluses. Import levies on feed grains were also doubled in July 1936, but later were progressively reduced as world grain prices rose. Surpluses, which would have depressed domestic pork prices, were purchased and stored in the summer of 1937. When this surplus was out of the way and hog prices rose in late 1937, the slaughter tax was again abandoned; but import grain levies, which had been increased in July, were maintained.

^{2/} In practice the factories themselves export bacon to Great Britain, their part of the British quota being determined by their exports to England during the period 1929-1931. On this basis, for instance, the Foreningen Skansa Andelsslakterier (the group of seven cooperatives mentioned on page 138) receives about 60 percent of Sweden's bacon quota. When prices on British markets return a profit, the factories are permitted to retain 8 ore per kilogram (about 0.8 cent per pound) over costs, but any additional profit must be turned over to the Federation. When losses are incurred, the Federation makes them good. Live-hog exports to Germany, which are governed by agreement as to number and price, are handled in a similar manner.

^{3/} It is recognized that in a country like Sweden, where a waste product (skim milk) cannot be utilized except in hog-feeding operations, hog-feed price ratios calculated from market prices for grain are not an exact method of determining profits derived from hog production. The need for utilizing waste feeds through hogs also makes import levies on feed grains less effective as a measure for regulating profits than they would be otherwise.

In early 1937, the Riksdag decreed that the level at which it was desirable to keep Swedish agricultural prices was the average for the period 1925-1929, but that variations of 15 percent either way would be permitted before additional measures were taken to correct the situation. For hogs, the 1925-1929 average price was Kr. 1.10, the price reached in December 1937. For corn, the 1925-1929 average was Kr. 17.14 per quintal, and the price attained in December 1937 was Kr. 17.19. Hog numbers shown by the 1936 and 1937 estimates were regarded as satisfactory and adequate to provide domestic requirements, permit fulfillment of British quotas, and allow a reserve that would preclude any shortage in supplies for the home market but would not create burdensome surpluses. Consequently, the objective will be to maintain hog production and hog and grain prices approximately at late 1937 levels, allowing for minor and seasonal fluctuations. To assist them in their efforts to regulate production, the Federation twice a year publishes forecasts of future deliveries and prices based on monthly breeding reports of representative numbers of sows, thereby keeping farmers advised as to prospective market conditions. These studies and forecasts also give the authorities information as to when and to what extent the measures should be applied in their efforts to attain the desired results.

In appraising the operation and results of the Swedish hog measures, it is necessary to recognize that present conditions have not been brought about as a result of the livestock measures alone. Measures for the aid of the Swedish hog industry were first adopted in a piecemeal manner but later were developed and coordinated so that they are only a part - though a very important part - of Sweden's planned agricultural program. The program, in turn, is but a part of the general economic policy, and during the past 6 years Sweden has offered an outstanding example of rational management of national economy.

The gradual recovery and maintained prosperity have been brought about by a number of important factors. Skilful monetary policy and management - with a public-works program in the early part of the recovery period, accompanied by a system of long-term budgeting - have been instrumental in obtaining for Sweden a great measure of prosperity and stability. The abandonment of gold in 1931, relative stability of the exchange in terms of sterling, maintenance of a reasonably stable consumption-price level, and moderate inflation of primary wholesale prices have enabled the country to benefit from export opportunities. Sweden's principal exports - timber and metallurgical products - increased with the expansion in foreign demand for lumber and metals caused by the building boom in Great Britain and rearmament in Germany, Great Britain, and elsewhere. Agriculture naturally shared in the general improvement and, in addition, received the benefit of special Government assistance, made effective, as well as bearable for the community as a whole, by the improvement in general economic situation.

It appears that future hog production in Sweden will likely be directed, in a most conservative manner, toward supplying domestic pork requirements and filling such remunerative export outlets as are available. Export trade in pork products with countries other than Great Britain will probably occur only during periods of unavoidable gluts in Swedish hog supplies, and a resumption of regular and steady exports of American fat backs and lard to Sweden at the rate prevailing during the 1920-1930 period appears unlikely.

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BRITISH COTTON TEXTILE INDUSTRY AND DEMAND FOR RAW COTTON . . .

By Arthur W. Palmer*

Prior to the World War, Great Britain occupied a preeminent position as manufacturer and exporter of cotton goods. Exports of British cotton piece goods in 1913 totaled about 7 billion square yards and averaged around 4 billion from 1922 to 1929. During the period 1930-1937, however, exports ranged from only 1.7 to 2.4 billion square yards, and in 1938 dropped to 1.4 billion, the lowest export level since 1850. Much study has been devoted to alleviating the critical state of the British cotton-goods industry centered in Lancashire, and the Government has recently presented to Parliament proposals in the form of a draft bill for reorganization of the cotton industry. This, with the recently enacted Export Guarantees Act and the new Anglo-Indian trade agreement, has a very important bearing on the future of the British cotton-textile industry and, in turn, on the prospective British demand for American cotton. During the 10-year period 1928-1937, approximately 17 percent of the total United States cotton production was exported to the United Kingdom.

BRITISH IMPORTS AND CONSUMPTION OF RAW COTTON

Trade Position of American Cotton

The United States has been, historically, the leading supplier of raw cotton in the British market, although its proportionate share in that market has declined substantially in recent years, as may be seen from table 1. It may be noted that the proportionate share of American cotton in the United Kingdom's total raw-cotton imports (excluding linters) during 1921-1929 ranged between 51.8 and 68.3 percent, but that it has trended lower since that time and unusually so during 1934 and 1938, when the United States share fell to 36.3 and 36.8 percent, respectively.

In point of value, the United States proportionate share of the British total is somewhat lower, however, than the quantitative share, owing to the higher unit values of long-staple growths from other sources. The great bulk of American cotton sold in the British market is short- and medium-staple.

Egypt ranks second as a supplier of cotton in the British market (with 21 percent of the total quantity imported in 1938) followed by British India and Brazil. Lesser suppliers are Peru, Anglo-Egyptian Sudan, British Africa, Argentina, and the British West Indies. Egypt, Peru, and the British West Indies furnish long-staple cotton, while the growths supplied by British India comprise short- and medium-staple cotton. Raw-cotton imports from Brazil are chiefly medium-staple.

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Table 1. United Kingdom imports of cotton, raw (except linters), from specified sources, 1921-1938 a/

| Year | United States | | Egypt | British India | Brazil | Other countries <u>b/</u> | Total |
|----------------------|---------------|----------------|--------------|---------------|--------------|------------------------------|--------------|
| | Quality | Share of total | | | | | |
| | <u>Bales</u> | <u>Percent</u> | <u>Bales</u> | <u>Bales</u> | <u>Bales</u> | <u>Bales</u> | <u>Bales</u> |
| Average | | | | | | | |
| 1921-1925... | 1,907,214 | 61.9 | 646,831 | 153,363 | 53,576 | 321,976 | 3,082,960 |
| 1926-1930... | 1,791,864 | 56.7 | 602,930 | 183,843 | 85,172 | 494,761 | 3,158,570 |
| 1931-1935... | 1,239,302 | 47.1 | 570,682 | 245,963 | 107,277 | 467,619 | 2,630,843 |
| Annual | | | | | | | |
| 1921..... | 1,675,737 | 68.3 | 483,832 | 31,517 | 34,197 | 227,755 | 2,453,038 |
| 1922..... | 1,910,125 | 63.8 | 660,874 | 92,289 | 76,580 | 255,927 | 2,995,795 |
| 1923..... | 1,399,811 | 51.8 | 729,356 | 227,066 | 43,716 | 302,724 | 2,702,673 |
| 1924..... | 1,986,004 | 60.2 | 721,628 | 208,685 | 35,099 | 349,129 | 3,300,545 |
| 1925..... | 2,564,391 | 64.9 | 638,465 | 207,259 | 78,288 | 474,344 | 3,962,747 |
| 1926..... | 2,237,598 | 61.5 | 656,681 | 140,222 | 67,482 | 538,774 | 3,640,757 |
| 1927..... | 1,921,650 | 59.3 | 661,692 | 100,741 | 44,834 | 510,287 | 3,239,204 |
| 1928..... | 1,815,968 | 57.6 | 636,392 | 201,662 | 29,181 | 470,730 | 3,153,933 |
| 1929..... | 1,749,087 | 54.3 | 618,996 | 222,042 | 139,059 | 492,109 | 3,221,293 |
| 1930..... | 1,235,018 | 48.7 | 440,887 | 254,547 | 145,306 | 461,906 | 2,537,664 |
| 1931..... | 926,838 | 40.6 | 535,232 | 221,094 | 77,187 | 521,278 | 2,281,629 |
| 1932..... | 1,529,325 | 58.1 | 503,499 | 112,324 | 3,021 | 482,716 | 2,630,885 |
| 1933..... | 1,583,695 | 53.9 | 669,068 | 228,654 | 28,733 | 428,945 | 2,939,095 |
| 1934..... | 959,785 | 36.3 | 576,761 | 322,470 | 301,766 | 480,625 | 2,641,407 |
| 1935..... | 1,196,869 | 45.0 | 568,849 | 345,275 | 125,679 | 424,625 | 2,661,297 |
| 1936..... | 1,293,008 | 40.0 | 590,972 | 486,811 | 307,020 | 556,880 | 3,234,691 |
| 1937..... | 1,600,993 | 46.1 | 608,229 | 482,849 | 226,037 | 554,926 | 3,473,034 |
| 1938 <u>c/</u> | 928,326 | 36.8 | 539,976 | 364,615 | 221,105 | 471,551 | 2,525,573 |

a/ Compiled from official British trade statistics. The data relate to general imports and therefore include reexports. In the original returns the quantity figures are expressed in centals of 100 pounds, and these have been converted to bales of 478 pounds each.

b/ Includes imports from British Africa, Anglo-Egyptian Sudan, British West Indies, Peru, Argentina, Haiti, and other unspecified countries.

c/ Preliminary.

Imports of raw cotton into the United Kingdom are duty-free regardless of origin, and this tariff treatment of American cotton was bound against change in the Anglo-American trade agreement concluded November 17, 1938. Incidentally, raw cotton usually leads in value among the various American products exported to the United Kingdom, but occasionally unmanufactured tobacco ranks first.

Mill Consumption of American Cotton

A somewhat more favorable picture for American cotton in the British market is presented by the figures for total mill consumption than for imports, as may be seen from table 2.

Table 2. Mill consumption of raw cotton in Great Britain a/

| Year ending July 31 | Total | American | |
|------------------------|-----------------------|-----------------------|----------------|
| | | Quantity | Share of total |
| | <u>1,000 bales b/</u> | <u>1,000 bales b/</u> | <u>Percent</u> |
| 1929 | 2,842 | 1,910 | 67 |
| 1930 | 2,430 | 1,474 | 61 |
| 1931 | 1,896 | 991 | 52 |
| 1932 | 2,336 | 1,343 | 57 |
| 1933 | 2,249 | 1,400 | 62 |
| 1934 | 2,484 | 1,461 | 59 |
| 1935 | 2,402 | 1,049 | 44 |
| 1936 | 2,655 | 1,378 | 52 |
| 1937 | 2,736 | 1,262 | 46 |
| 1938 | 2,413 | 1,188 | 49 |

a/ Excluding Northern Ireland.

b/ Of 478 pounds net.

The proportionate share of American cotton in total British mill consumption since the cotton year 1930-31 has trended somewhat higher than has the proportionate share in total imports (based on the calendar year, as shown in table 1.) This seems to indicate that a smaller proportion of American cotton than of non-American growths has been reexported from Great Britain.

TRADE POLICY AND RELIEF MEASURES

A new program for the development of export trade, described as an export drive, is under way in Great Britain. Vigorous efforts are being made to strengthen the position of those industries and communities dependent in part upon overseas outlets and at the same time to improve somewhat the balance of trade. As outlined in discussions in Parliament, in the press, and elsewhere, the program contemplates intensive cooperation between the Government and the industries concerned and the application of new techniques made necessary by the conditions now prevailing in the international field.

Interesting though it is as an example of method in coping with an economic problem of national importance, the program contains elements of interest also from the standpoint of its possible influence on the British demand for raw materials. The cotton industry is one whose export position it is hoped to strengthen, and developments of significance have in fact already taken place. From the point of view of this industry, interest centers in certain of the measures that form the framework of the program, primarily the new Export Guarantees Act passed in the closing days of February, the Cotton Industry (Reorganization) Bill (a Government measure introduced in Parliament the middle of March), the newly negotiated Anglo-Indian trade agreement, and also the outcome of recent negotiations between British trade representatives and the Government of Egypt.

The possible bearing of these measures upon the British demand for cotton can doubtless be better understood if viewed against the background of the industry's structure and in the light of the situation that has evolved over a number of years.

Cotton Industry Developments in Relation to Exports

Set-up of the British cotton-textile industry - Over a long period, the cotton industry in Great Britain has been characterized by (1) close geographical concentration, (2) extreme specialization and stratification, (3) wide dispersion of ownership and control, and (4) a high degree of individualism in management.

Geographically the industry (except that part devoted to knitting, which is ordinarily treated as belonging to the hosiery industry) is located mainly in Lancashire and in adjacent parts of Cheshire and Yorkshire, with a minor concentration of mills in the vicinity of Glasgow. The remainder is scattered and almost negligible.

The tendency in organization of enterprise for many years has been away from integration and in the direction of specialization. That is to say, ordinarily the spinner buys raw cotton and spins yarns for sale; the manufacturer buys yarns and sells gray cloth; the cloth merchant or converter buys gray cloth and contracts for the bleaching, dyeing, printing, or mercerizing, as the case may be. Brokers, warehousemen, and others contribute specialized services at various stages. Trade organization has been largely stratified along these lines of functional specialization.

Notwithstanding a program of amalgamation undertaken a decade or more ago, ownership and control of individual enterprises are little concentrated. According to the Census of Production, the number of individual firms engaged in three branches of the industry in the years 1924, 1930, and 1935 were as follows:

| | <u>1924</u> | <u>1930</u> | <u>1935</u> |
|------------------------------------------|-------------|-------------|-------------|
| Firms engaged in cotton spinning | 1,114 | 911 | 818 |
| Firms engaged in cotton weaving | 1,456 | 1,123 | 1,057 |
| Firms engaged in textile finishing | 783 | 813 | 857 |
| (all kinds) | | | |

To these must be added merchants, brokers, warehouseman, etc., which according to rough calculation bring the total number of enterprises up to about 4,000.

Pre-war development of the industry - The history of the cotton-textile industry in Great Britain from its beginning to the outbreak of the World War was, in a broad sense, one of expansion. Both production and exports of cotton textiles, and correspondingly the imports of raw cotton, followed an upward trend with only minor interruptions from their beginning until the last years before the World War. There was marked prosperity in the period from 1886 onward. Between that date and 1913, according to a study reported by the University of Manchester, a group of companies spinning American cotton and selected as a sample were found to have earned on an average 10 percent on their capital and to have paid dividends averaging 7 percent over the whole period.

In the 3 years preceding the outbreak of the World War, the annual average consumption of cotton was around 4.5 million bales of 478 pounds net. Of this amount it is calculated that exports of yarn and piece goods accounted for about 3.4 million bales, or about three-fourths of the total consumption. Piece-goods exports attained their peak in the calendar year 1913 at approximately 7 billion yards, of which 43 percent was taken by India alone. Great Britain then had about two-thirds of the international trade in cotton yarn and piece goods.

From 1914 to the depression - The outbreak of the war ushered in a relatively short period of super-profits and at the same time a long decline in export trade.

After the conclusion of the war, profits were unprecedented for about a year and a half. They gave rise to extensive recapitalization of mills at higher values, in which some 46 percent of the total spinning capacity of the industry underwent financial reorganization between March 1, 1919, and July 31, 1920. The slump attending the commodity-price deflation of 1920-21 put an end to war prosperity in Lancashire; and, though a mild improvement in exports took place in the 1920's, it was followed by a long succession of declines, which have continued, with but minor interruptions, to the present.

Table 3. United Kingdom exports of cotton yarn and piece goods and mill takings of raw cotton, 1913-1938

| Year | Mill takings of raw cotton a/ | Yarn exports b/ | Piece-goods exports b/ | Combined exports of cotton yarn and manufactures b/ | |
|-----------|-------------------------------------|--------------------|---------------------------|-----------------------------------------------------------|--------------------------------|
| | | | | Value c/ | Percentage of total exports |
| | Thousand bales d/ | Million pounds | Million yards e/ | Million pounds sterling | Percent |
| 1913..... | 4,556 | 210.1 | 7,075.3 | 126.5 | 24.1 |
| 1914..... | 4,346 | 178.5 | 5,735.7 | 103.3 | 24.0 |
| 1915..... | 4,041 | 188.2 | 4,748.5 | 85.9 | 22.3 |
| 1916..... | 4,126 | 172.2 | 5,254.2 | 118.3 | 23.4 |
| 1917..... | 3,767 | 133.2 | 4,978.2 | 145.9 | 27.7 |
| 1918..... | 3,136 | 101.7 | 3,699.3 | 180.1 | 35.9 |
| 1919..... | 3,193 | 162.6 | 3,523.7 | 238.8 | 29.9 |
| 1920..... | 3,611 | 147.4 | 4,435.4 | 401.4 | 30.1 |
| 1921..... | 2,230 | 145.9 | 2,902.3 | 178.7 | 25.4 |
| 1922..... | 2,948 | 202.0 | 4,183.7 | 186.9 | 26.0 |
| 1923..... | 2,850 | 145.0 | 4,140.2 | 177.4 | 23.1 |
| 1924..... | 2,864 | 163.1 | 4,444.0 | 199.2 | 24.9 |
| 1925..... | 3,366 | 189.5 | 4,435.6 | 199.4 | 25.8 |
| 1926..... | 3,157 | 168.5 | 3,834.5 | 154.3 | 23.6 |
| 1927..... | 3,257 | 200.5 | 4,116.9 | 148.8 | 21.0 |
| 1928..... | 3,181 | 169.2 | 3,866.5 | 145.3 | 20.1 |
| 1929..... | 3,135 | 166.6 | 3,671.6 | 135.4 | 18.6 |
| 1930..... | 2,661 | 137.0 | 2,406.8 | 87.6 | 15.3 |
| 1931..... | 2,061 | 133.5 | 1,716.3 | 56.6 | 14.5 |
| 1932..... | 2,630 | 141.5 | 2,197.5 | 62.8 | 17.2 |
| 1933..... | 2,480 | 135.1 | 2,031.2 | 58.9 | 16.0 |
| 1934..... | 2,727 | 130.4 | 1,993.5 | 59.1 | 14.9 |
| 1935..... | 2,665 | 141.7 | 1,948.4 | 60.2 | 14.1 |
| 1936..... | 2,935 | 150.9 | 1,916.6 | 61.5 | 14.0 |
| 1937..... | 3,115 | 159.0 | 1,921.3 | 68.5 | 13.1 |
| 1938..... | 2,729 | 122.9 | 1,386.5 | 49.7 | 10.6 |

a/ 12 months ending August 31, 1913 and 1914; July 31 thereafter. Includes Northern Ireland; hence the figures are higher than those shown in table 2, which relate to Great Britain only.

b/ Calendar year.

c/ At current rate of exchange, 1 pound sterling = \$4.69.

d/ Approximate number of 478-pound bales, net equivalent.

e/ Linear yards 1913-1919; square yards thereafter.

Annual Statement of Trade of the United Kingdom and Accounts relating to Trade and Navigation, British Board of Trade; Annual Reports and Weekly Circulars, Liverpool Cotton Association.

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The internal repercussions of this loss of trade from 1920 onward were severe. Competition became acute; profits in large part gave way to losses; and working capital of many mills was impaired. This state of affairs, however, appears at first to have been regarded as temporary. It was assumed that before long a general post-war recovery throughout the world would renew the demand for British textiles and that forces that in the past had pulled the industry out of depression and pushed it on to new peaks could be depended upon to do so again. By about 1924, however, it became apparent that, although world production of cotton textiles had exceeded its pre-war peak and world economic recovery had made considerable progress, the British industry was not sharing the benefits.

To devise means for improving conditions, representatives of different sections of the industry came together to consider joint action. No unified plan for the industry as a whole was developed at the time, but various groups of spinners began by gentlemen's agreements to fix the margins over the price of raw cotton at which they would sell yarn, in an attempt to protect the solvent firms from price cutting by those in distress. These agreements undertaken from time to time over a long period invariably broke down, often under pressure of the need of weaker members to convert yarn to cash for current expenses. In 1927, a number of mills spinning American yarn made a more extended effort to control prices in the spinning section in what was known as the Cotton Yarn Association; but, owing to price cutting by outside mills, the Association was obliged to suspend operations after about 11 months.

Thereafter a new policy was developed, which, as it had financial sponsorship of the country's highest banking authority, may be said to have had assistance of at least a quasi-public form. It was in substance to accept prevailing prices, but to endeavor to reduce costs and earn a return on invested capital by concentrating production in the larger and more efficient plants. Within the next few years, a number of important mergers followed, one firm setting out to acquire 10 million spindles in the American section and another incorporating 3 million spindles in the Egyptian or fine-spinning section. Plans for consolidation of existing small units, however, were never fully realized as even the merged firms were unable for some time to operate profitably and subsequently had to undergo further readjustments of their capital structure.

About the same time, a course of action was taken by the industry to restore export trade, one of the first steps being the organization of a cooperative enterprise known as the Eastern Textiles Association, the purpose of which was to pool the efforts of a group of spinners, manufacturers, and merchants to produce certain standard cloths and to market them on terms competitive with producers in other countries. In particular it aimed to lay down stocks of goods on consignment to meet the convenience of buyers in foreign countries and to extend credit to purchasers where orders could be gained in this way. The Eastern Textiles Association operated particularly in the Far East. It came to an end before the merits of its plan were fully tested, owing, it is said, to a decline in the price of silver and failure to hedge this risk in the foreign-exchange market. The hope of reviving the scheme in new form seems to have persisted, but subsequent attempts to put it into operation have never been carried out.

Trade policy since 1931 in relation to cotton textiles - The suspension of gold payments in September 1931, declared by Government spokesmen to be unavoidable, was expected to have a stimulating effect on textile exports by improving the terms of competition. Whatever advantage might have resulted, however, was largely lost, since it was followed at once by a proportionately greater devaluation of the yen and since the rupee was linked to the pound in the sterling bloc of currencies.

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In 1932, the enactment of the Import Duties Act gave Great Britain a protective system and a basis for the negotiation of trade agreements for the defense of exports. A more positive effort to restore, in some measure, exports to the Empire countries, though of course not limited to the textile industry, resulted in the Ottawa Agreements. Separate agreements were concluded with India, Canada; Australia, New Zealand, Newfoundland, South Africa, and Southern Rhodesia, each for a term of 5 years except the Indian agreement, which could be terminated by either party on 6 months' notice. Bilateral agreements were also concluded with Norway, Sweden, Denmark, Argentina, Poland, the Soviet Union, and the Baltic countries, those with the Scandinavian countries and with Argentina providing for reduced tariffs on British textiles.

Following negotiation of the Ottawa Agreements, steps were taken to protect British markets in the Crown Colonies and Protectorates by the application of a quota system based upon the average imports from the various countries concerned during the years 1927-1931. Unlike the situation in India, where the loss of the textile market was due mainly to growing self-sufficiency, the losses that had been experienced in the Crown Colonies were due primarily to competition from other manufacturing countries.

In consequence of the Ottawa Agreements and by means of the colonial quotas, it was hoped that the downtrend of piece-goods exports could be arrested, and in some degree this result has doubtless been achieved. By other means, moreover, British exports were sheltered against competition. For example, in September 1935 the Egyptian Government introduced an exchange-compensation surtax of 40 percent on imports from Japan, which, as it reduced Japanese business, at the same time gave protection to the nascent textile industry of Egypt and operated to increase imports from Britain and Italy.

Special legislation applying to the cotton-textile industry - with the foregoing measures for the support of export trade accomplished (the more effective ones, it may be noted, being governmental), there was begun a new series of legislative steps to mitigate competition within the industry. Among these may be mentioned the Cotton Manufacturing (Temporary Provisions) Act of 1934, the intent of which was to fix upon entire sections of the industry the wage rates and terms of employment arrived at by agreement between representatives of the trade unions and employers' organizations, and so to prevent any unit of the industry from gaining an advantage through wage cutting. Thus far, however, the act has been applied only to the manufacturing section.

In 1936, the spinning section succeeded in obtaining from Parliament legislation known as the Spindles Act, the purpose of which was to retire from the industry some 10 million spindles held to have become redundant. Owners willing to retire spindles on acceptable terms are by its provisions compensated out of a fund raised by an annual levy of 1-1/6d. per mule spindle (or equivalent) on all spindles remaining in place.

Shortly after the enactment of this legislation, a new movement was begun to bring various groups of spinners voluntarily into a series of agreements, this time of a legally enforceable type, for the maintenance of margins between the prices of raw cotton and yarns, in accordance with the margins fixed from time to time by the administrative authority for which each agreement provided. Within a short time, a considerable majority of spinners subscribed; and, although some difficulty has been experienced in maintaining them, price agreements covering the bulk of British yarn production are still in force.

Meanwhile, the bleaching and dyeing and the manufacturing sections, which likewise had suffered from a diminution of business and from the resulting excess of plant capacity, were considering action to deal with their respective problems. Encouraged by the progress of the spinners, the finishing section of the trade began in 1937 to press for legislative authority to institute a sectional control scheme for the protection of its members' profits comparable in purpose to the measures achieved by the spinners. The manufacturing section pursued studies of its position with like intentions.

The Government, however, foreseeing the fresh difficulties which might be precipitated by a series of schemes, each designed to promote the welfare of a single section of the trade, gave notice that it would approve no further legislation for the benefit of any particular section. It indicated, however, that whenever the entire industry could with reasonable unanimity present a program for the relief of the industry as a whole, it would propose and support legislation for a comprehensive program. The Cotton Industry (Reorganization) Bill represents in outline such a program.

Results from past measures unsatisfactory - Whatever the value of the various measures taken in the 15 years since the first efforts were made to deal with the industry's problems, it is evident that they have not availed to restore prosperity to Lancashire. Although 1937 brought relief in the form of better profits, it saw no large increase in exports. In 1938, however, the situation became much worse from both points of view. By comparison with the year before, exports declined by 23 percent, while a drop of 28 percent brought piece-goods shipments to 1.4 billion yards, the smallest since 1850 and only about one-fifth the volume of 1913. Instead of three-fourths, as in the years just before the war, only about three-eighths of the estimated yarn production found its way overseas in 1938 in the form of yarn and piece goods.

Although hope of a return to the pre-war volume had long been abandoned, the feeling spread that additional Government aid was necessary if the industry were to be saved further attrition and the mill communities protected from deeper distress. Claims on the Government's attention were made with increasing frequency by the larger trade organizations, in some cases citing help already given to other industries, such as coal and agriculture, which, it was argued, had resulted in increased textile manufacturing costs at home or curtailment abroad of demand for textiles in agricultural countries. Labor groups and civic leaders added their voices to the appeal.

New Measures, Their Provisions and Objectives

Export Guarantees Act - Of the particular measures likely to figure in the drive for exports in general and of textiles in particular, one - the Export Guarantees Act, 1939 - has now been passed. It represents the latest in a long series of revisions of the Overseas Trade (Credits and Insurance) Act of 1920, which originally authorized the Board of Trade to grant credits in certain instances for export purposes and to insure the goods against "risks of an abnormal nature which cannot, in the opinion of the Board, be otherwise effected on reasonable terms."

Specifically, the present act, which replaces one of similar title of 1937, (1) continues the scheme for giving, after consultation with an Advisory Committee, guaranties to British exporters against losses arising from the extension of credits to foreign customers, (2) increases the limit of the Board's authorized liability on account of such guaranties from £50,000,000 to £75,000,000, ^{1/} of which £7,500,000

1/ The average rate of exchange for the pound sterling during March 1939 was £1 = \$4.69.

of liabilities may be incurred in the guaranties of credits for reexports, and (3) extends the guaranty facilities to any country. It will also permit the Board to give additional guaranties up to £10,000,000 "in * * * any matter in connection with which it appears to them to be expedient in the national interest that guarantees should be given."

The principal new features of the act are the increase of the Board's authority to permit guaranties to the extent of £10,000,000 to be given on political as well as commercial considerations and the raising of the limit of liability by 50 percent on guaranties of the more definitely banking type. That even in its less comprehensive form the guaranty plan has been useful is indicated by the statement that, since the inception of the plan, credits aggregating £1,800,000,000 have been guaranteed with no loss or direct administrative cost to the Government.

While the cotton-textile industry has been declared the largest user of export-credit-guaranty facilities in the past, it is not certain that the significance of the new act lies so much in its actual provisions, useful though they may be, as in the evidence afforded of a policy on the part of the British Government to intensify its aid of export trade, particularly in the case of industries so unified in organization that they can be dealt with as entities. Speaking recently in the House of Commons on this point and with particular reference to the difficulty of meeting competitors in the authoritarian countries, the President of the Board of Trade said in part:

"I do not believe we can compete with these countries unless to some extent we learn a new technique. We have prospered for many generations on a system of free competition in the markets of the world. When the individual firm in this country had to compete with a single firm, whether in Germany or America, or wherever it might be, it was competition which they were not afraid to face, and which they faced successfully. It is a very different thing when the single firm in this country has to face, first of all, the competition of a whole industry abroad, and when behind the competition of that industry is the power also of the whole State. That ceases to be competition, because the basis of it is so unfair. I do not believe that you can meet competition of that kind without to some extent adapting your methods in this country. To meet a challenge of that kind the first thing necessary is a greater degree of organization on the export side in particular industries, so that an industry may speak as one and be enabled to devote its full strength to it if it comes to fighting for its existence and fighting for its fair share in a proper market.

"The hon. Gentleman referred to two commodities, coal and textiles. I should say that coal was one of the industries in which that new technique was already being evolved and that some parts of the Bill which was passed last year were forced on the industry by the consideration to which the hon. Member has drawn attention and were directed to meet exactly those difficulties. With regard to textiles, what does the hon. Gentleman think is really the basis for the campaign in Lancashire in favour of the Bill which is now being prepared? It is the same view, that if we are to maintain our exports in face of the new form of competition there must be some form of unity in the industry which will enable it to direct its exporting power at its strongest wherever we wish it to direct it."

Trade agreements - Obviously the means by which the Government's assistance to the textile industry can be made effective are not limited to the described guaranties of credits or the underwriting of other risks, helpful though they are, but may appear in various forms. Trade-agreement negotiation is one such form, of which the new Anglo-Indian agreement announced on March 20, 1939, affords a significant example, particularly from the point of view of the market for American cotton in Great Britain.^{2/}

In substance it seeks to secure through a reduction of Indian tariffs an import quota for British cotton piece goods of 500 million linear yards - roughly the volume of 1935 but about double the British exports to India in 1938. These concessions in the Indian import duties are conditional upon minimum annual imports retained in the United Kingdom of Indian raw cotton to the amount of 500,000 bales in 1939, 550,000 in

^{2/} The Indian Legislative Assembly voted disapproval of the new Anglo-Indian trade agreement on March 28. The vote, however, is not conclusive; and the Manchester (England) press takes the view that the Indian Government is likely to make the agreement operative.

1940, and 600,000 bales in each year thereafter. It is undertaken at the same time to continue to use every effort in cooperation with commercial interests to stimulate the consumption of cotton in all possible ways.

The use of the reciprocal quota principle as a means of securing export trade was exemplified also in the arrangement recently arrived at with the Egyptian Government. Essentially it provides for a distribution of quota shares in Egypt's cotton-textile imports to all cotton-manufacturing countries in proportion to their takings of Egyptian raw cotton in the 3 preceding years. Confirmed by the Egyptian Government in December 1938, it is expected to be made effective in the near future. Strictly described, it represents unilateral action on the part of the Egyptian Government, although undertaken after consultation, and in consequence of a gentlemen's agreement, with British textile-trade representatives, which in turn was the outgrowth of the British Government's objections to sharp increases in Egyptian import duties on cotton textiles, amounting in some cases to approximately 100 percent, which were announced in April 1938.

The Cotton Industry Reorganization Bill - Of chief interest among the new measures, however, is beyond doubt the Cotton Industry (Reorganization) Bill, introduced into Parliament on March 16, 1939. It should be borne in mind that as the Export Guarantees Act is concerned only in part with textiles, the Reorganization Bill will be concerned only in part with exports. Its major purposes are internal reorganization and mobilization of the industry. As now drafted, it seeks to provide machinery by which the large number of individual enterprises comprising the industry may act through their sectional organizations, but with some degree of unity, to regulate prices and competition in the interest of profits, to retire redundant or obsolescent machinery, and to promote and defend trade in export markets.

Specifically, the Reorganization Bill would authorize formation of an overall Cotton Industry Board consisting of 15 members appointed by the British Board of Trade, of which 12 would be financially interested, while the 2 other members and the chairman, though not financially interested, would be well-informed concerning the industry. A Cotton Industry Advisory Committee of 3 members not financially interested would also be appointed to assist the Board of Trade. The Cotton Industry Board would have authority to consider sectional schemes for price regulation or for retirement of equipment and to bring them to the attention of the Board of Trade.

Schemes approved by the Advisory Committee would then be subjected to a ballot of the section concerned and, if voted, would be laid by the Board of Trade before Parliament. If not rejected within a limited time, they would have statutory effect and be enforceable upon the whole industry. The Board would also undertake or support research in the technology of cotton utilization and in markets and marketing methods; and an Export Development Committee would be set up to formulate plans for promoting exports in markets where opportunities were found to be favorable. For these purposes, funds increasing up to £150,000 per annum would be provided.

Under the broad aegis of the Cotton Industry Board, the industry's present scheme of sectional organization would in large measure be retained. Essentially the bill would reaffirm and generalize to the whole of the industry the principles embodied in the Spindles Act and in the spinners' margin agreements, in all of which it would give statutory authority to sectional majorities, subject to the checks provided, to apply their schemes to all firms in the respective sections.

To deal with the problem of exports, the proposals as originally outlined included a plan for the formation of export pools in which spinners, manufacturers, and finishers would be given participation quotas. By means of export pools, presumably,

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block sales of goods in extraordinary quantities might be arranged or some new effort might be undertaken to develop consignment trade along the lines followed by the Eastern Textiles Association. The pool feature, however, met with little support among exporting merchant houses and in the revision of the proposals was completely withdrawn. Another feature, introduced in the interest of exports, however, has been retained. It consists of a modification of the scheme for price control as developed in the existing agreements of the spinners, whereby the Cotton Industry Board would be authorized to approve discounts from the prescribed price schedules in sales of yarns and goods destined for specific markets overseas where orders could be obtained only at prices below the British level. In effect it would provide for cooperation of spinners, manufacturers, and finishers in catering to specific export markets and at the same time for a multi-plane structure of prices, adjustable to the price situations in the markets to be reached.

Among other provisions considered but not finally included was one for giving general statutory effect to wage agreements and wage compensation to employees in case of suspended operation. A proposal for modernization of plant with Government financial aid similar to the "scrap and build" plan of the shipping trade was never sufficiently matured to be included.

The bill contains provisions for the mandatory registration by the Cotton Industry Board of all persons and firms engaged in the industry and for such reports of operations and audits as may be required for thorough administration.

Significance of the New Measures

Potentialities involved - In observing the possible significance of the export drive and of the measures likely to be employed, especially in their relation to raw-cotton demand, it must be recognized that much will depend upon the manner in which a united cotton-textile industry relates itself to the Government, the forms in which the Government may in practice find it possible to lend its assistance, and the manner in which the various measures or principles may be combined.

There are, in fact, enough factors of uncertainty to make it hard to reach very definite conclusions as to the probable outcome. Still less practicable is it to estimate in terms of bales of cotton its probable repercussions upon American interests in cotton, though it seems reasonable to suggest that, considering both the present limited field of American textile exports and the sheltered status that for the most part they enjoy, any developments are likely to be much more important to American exports of cotton in the form of raw material than in the form of goods. It is possible, however, to note some of the potentialities in the situation.

Higher costs probable - Assuming the enactment of the Reorganization Bill, it appears probable that the export drive will have to reckon with a British price level somewhat higher than it would be under conditions of free competition and somewhat higher than it is at present. The extension of margin control seems likely to result in higher average yarn prices relative to raw cotton. Thus the manufacturer faces an increase in his first cost item, to which in turn must be added a manufacturer's margin widened by the operation of the bill to afford some better opportunity of profit than now exists. Finishing costs must also be expected to be increased under protection of the bill. Finally, operatives in all sections of the trade, whose support for the bill has now been pledged, may be expected to urge their claims for holidays with pay, and possibly for minimum-wage scales - benefits which the industry has denied on the grounds that the burden of additional costs could not under present conditions be borne, and possibly for compensation for unemployment growing out of the operation of the act.

Methods contemplated to offset high price level - To an industry handicapped in the race for foreign markets by its relatively high price level as the British cotton-textile industry already is, the prospect of higher prices is indeed serious. To overcome this present and greater future handicap, three methods appear to be contemplated, viz (1) assigned quotas in the imports of customer countries, (2) division of export territory where possible by arrangement with other exporting countries, and (3) differential prices where necessary to enter desirable markets abroad, with any resulting losses distributed to the protected markets, i.e., the home market, quota markets, or markets in allocated territory.

Of these it seems likely that, insofar as possible, reliance will be placed upon quotas in importing markets. Certainly for a high-cost country, market quotas are among the most effective instruments of defense; for, to the extent that markets abroad may be thus sheltered, an increase in costs, if it does not go to the point of reducing consumption, may be no material disadvantage. The emphasis that the industry puts upon quotas in its appeals for Government assistance is thus easily understandable.

When, however, it is sought to extend the quota principle beyond the colonies, it is reasonable to expect a *quid pro quo* to be given. This, in fact, has been done in the newly announced trade agreement with India. By its terms, an increase of imports of Indian cotton is visualized in 1939 to a figure exceeding by nearly 200,000 bales the British consumption of Indian in the year ending January 31, 1939, and a further increase each year until 1941, when the excess would be almost 300,000 bales, or the equivalent of about 240,000 American bales.

Table 4. Consumption of Indian cotton in the United Kingdom, excess over consumption of contemplated retained imports, and offsetting increase of piece-goods exports, 1938 with comparisons *a/*

| Year beginning February 1 | Consumption | Excess of proposed retained imports over consumption <i>b/</i> | | | Estimated offsetting increase of exports to India <i>c/</i> |
|---------------------------------|--------------------|-------------------------------------------------------------------|--------------------|--------------------|-------------------------------------------------------------------------|
| | | 1939 | 1940 | 1941 | |
| | <u>1,000 bales</u> | <u>1,000 bales</u> | <u>1,000 bales</u> | <u>1,000 bales</u> | <u>1,000 bales</u> |
| 1938..... | 305 | 195 | 245 | 295 | 90.8 |
| 1937..... | 457 | 43 | 93 | 143 | 73.8 |
| 1936..... | 398 | 102 | 152 | 202 | 44.9 |
| 1935..... | 362 | 138 | 188 | 238 | 0.8 |
| 1934..... | 295 | 205 | 255 | 305 | -15.9 |
| Average 1936-1938.. | 387 | 113 | 163 | 213 | - |
| Average 1934-1938.. | 363 | 137 | 187 | 237 | - |

a/ Consumption in running bales. Quota and piece goods-equivalent figures in Indian bales of 392 pounds, net.

b/ Retained imports proposed in the Anglo-Indian trade agreement for 1939, 1940, and 1941, respectively, are 500,000 bales, 550,000 bales, and 600,000 bales.

c/ Raw-cotton equivalent of increase of exports of piece goods to 500 million yards (approximately 180,000 bales of raw cotton) over actual exports in stated years.

If all cottons were interchangeable in use, there might be set against these increases an increased British export to India of cotton in the form of goods over the 1938 figure, estimated at about 90,000 bales. (See table 4.) Actually, however, there seems to be little validity in such an offset. In point of quality, the Indian market for British-made goods, by comparison with the average of exports to all countries, tends to be for cloth of the lighter constructions, as shown by table 5. That

Indian staple will meet the production requirements of the British piece-goods trade with India to any considerable extent is at best open to doubt. The probabilities, therefore, seem to be that somewhere in British mill consumption a place will be found, at the expense of the medium- and short-staple cottons customarily used heretofore, for the greater part of the increase of takings of Indian raw cotton sought by the agreement. How this is to be accomplished is not yet indicated; but, with the cartelization promised under the pending Reorganization Bill, it may be expected that the matter will present less of a problem to the industry than it otherwise would.

The arrangement with Egypt appears to differ from the Indian agreement in important particulars. It imposes no obligation upon the British industry to take any given amount of raw cotton. Moreover, since the average weight of goods taken has closely approximated in recent years the average weight of exports to all countries, the reaction of an increase in the British share of Egyptian cloth imports upon British demand for raw cotton seems to be somewhat more favorable to the suppliers of the medium- and short-staple types of cotton.

Table 5. British exports of cotton piece goods to India and number of square yards per pound in British exports and production, 1921-1938

| Year | Exports to India | Square yards per pound in | | | |
|-----------|-------------------------|---------------------------|--------------|---------------|-----------------------------|
| | | Exports to | | | Total British production |
| | | India | Egypt | All countries | |
| | Million linear yards | Square yards | Square yards | Square yards | Square yards |
| 1921..... | 1,038.7 | 6.97 | 4.79 | 5.23 | - |
| 1922..... | 1,307.6 | 6.63 | 4.54 | 5.14 | - |
| 1923..... | 1,337.0 | 7.04 | 4.63 | 5.30 | - |
| 1924..... | 1,553.1 | 6.98 | 4.77 | 5.42 | 5.20 |
| 1925..... | 1,335.6 | 6.77 | 4.67 | 5.27 | - |
| 1926..... | 1,460.0 | 7.06 | 4.72 | 5.35 | - |
| 1927..... | 1,550.7 | 6.86 | 4.73 | 5.32 | - |
| 1928..... | 1,452.5 | 7.09 | 5.24 | 5.40 | - |
| 1929..... | 1,268.3 | 7.29 | 4.97 | 5.30 | - |
| 1930..... | 728.2 | 6.98 | 4.77 | 5.16 | 4.47 |
| 1931..... | 355.6 | 8.04 | 4.94 | 5.13 | - |
| 1932..... | 555.4 | 7.67 | 5.11 | 5.13 | - |
| 1933..... | 440.4 | 7.81 | 5.31 | 5.18 | 4.43 |
| 1934..... | 542.7 | 7.50 | 5.32 | 5.11 | 4.44 |
| 1935..... | 497.8 | 7.83 | 5.24 | 5.02 | 4.33 |
| 1936..... | 375.5 | 7.99 | 4.91 | 4.80 | - |
| 1937..... | 294.9 | 7.93 | 5.60 | 4.79 | - |
| 1938..... | a/ 249.4 | - | - | 4.78 | - |

a/ Estimated.

Cartel possibilities and multi-plane price proposal - The possibility of a further step from the organization of an internal cartel to the formation of an international cartel with allocations of definite markets or sections of markets introduces for consideration an entirely new factor. Obviously the success of this feature of the plan would depend very largely upon the degree of cooperation given by the competing industries in other countries - and this at the moment would seem to be an element of genuine uncertainty. As yet it seems to have entered only vaguely into the thinking of the industry at large.

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A more realistic device for gaining export ground is the proposed multi-plane price plan to be developed by cooperative action of firms in complementary sections of the trade. On the assumption that the cooperative features of the plan can be worked out satisfactorily in Lancashire, the scheme should prove useful in certain markets where quotas are not obtainable or with respect to which cooperation of foreign competitors is not forthcoming. It is predicated obviously upon a protected home market, and the extent to which it may be developed is clearly limited by the extent to which the home market primarily, and quota markets secondarily, may be made to carry any losses its application entails. The plan must, however, be regarded as experimental, and as yet there is little basis on which to appraise its probable effectiveness.

Cotton-textile price level and demand for American cotton - From the standpoint of British demand for American cotton, there would be less reason for apprehension at the prospect of a higher price level for British-made cotton goods, if, by means of quota protection unencumbered by reciprocal obligations to purchase raw cotton, by allocation of markets through an international cartel, or by the use of a multiple-price plan, the British cotton industry could insure itself against further losses of markets abroad. In fact, experience with yarn margin control suggests that, insofar as it relieves spinners of some of the pressure to cut costs, it removes some of the incentives to use the cheaper substitute growths and so operates to favor the use of American cotton in the production of those types and counts of yarn for which it is technologically suited and for which it is ordinarily preferred.

On the other hand, American cotton has much ground yet to lose if quotas in foreign textile markets are coupled extensively with British commitments to take in return either fixed or proportionate quantities of raw cotton of types that would definitely supplant American in British mills. The extent to which, with the industry unified and mobilized as proposed in the Reorganization Bill, this method may be employed in the drive for exports remains, therefore, a question of more than passing interest.

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THE GERMAN-RUMANIAN ECONOMIC AGREEMENT* . . .

The recent agreement with Rumania, which in effect constitutes a 5-year plan for the reorganization and adjustment of Rumanian agriculture to meet German needs, is looked upon by the German Government as one of the most important steps yet taken toward solving its feedstuff and raw-material problem. Unlike former Austria and Czechoslovakia, Rumania is strictly an agricultural exporting country and therefore complements the economy of present Germany.

Under the agreement, Germany proposes to take practically all the Rumanian agricultural surpluses at fixed prices. German imports from Rumania are to be financed, however, by German exports to that country of agricultural machinery, armaments, and railway and industrial equipment. Rumania's greatest agricultural potentialities lie in expanding the production of feedstuffs for export to Germany, either as feed or in the form of livestock and meat products. There are also possibilities of contributing to German fat requirements through the production of oilseeds, particularly soybeans. It is envisaged that the production of flax, hemp, apples, prunes, and lumber can also be expanded. The program calls for close cooperation between German and Rumanian authorities for the purpose of improving cultural practices in Rumania, which are far from modern; and there appears to be considerable room in this way for increasing the production capacity of Rumanian agriculture.

GENERAL OUTLINE OF THE PLAN

The German and Rumanian Governments concluded on March 23, 1939, an economic agreement, which, in concept and aims, is unique in the economic relations between two important countries. In essence, the agreement provides for close collaboration between the two countries to develop the principal natural resources of the one country, Rumania, to meet the import needs and desires of the other country, Germany. The agreement is to remain in effect until March 31, 1944, and will be prolonged automatically unless notice of termination is given by one of the parties 1 year before expiration.

The German Government regards the agreement, everything considered, as one of the most important yet concluded by the Hitler regime and, in particular, as a long step toward fundamental improvement of the feedstuff and raw-material problems. The agreement provides, however, that a bilaterally balanced trade shall continue to be maintained between the two countries and that undertakings under the agreement, which is for a 5-year period, shall take into consideration the requirements and interests of Rumania in trade with other countries. These are important reservations, which, if maintained, will tend to check the pace of a development that has potentialities for exclusive arrangements.

*Based on reports from L. V. Steere, American Agricultural Attaché at Berlin, and Hans Richter, Technical Assistant, Belgrade office of the Foreign Agricultural Service.

The general plan that has been announced especially stresses the aim to expand and diversify Rumanian agricultural production. Scarcely less emphasis is devoted, however, to industrial and commercial undertakings, where, in certain fields, mixed German-Rumanian companies are to be formed, with special facilities and official support to carry on new enterprises.

Principal Features of Collaboration

The principal features of the undertakings just referred to include the following:

(1) The development and steering of Rumanian agricultural production, in which the Rumanian and German authorities will exchange experience with the aim of introducing the cultivation of new products and the increased cultivation of products already grown that are of special interest to Germany. Special attention is to be devoted to feedstuffs, oilseeds, and fiber plants, all products in which Rumania has possibilities for expansion.

(2) In the case of bread grains, as well as livestock and livestock products, it is probable that promotional activities on the part of Germany will be confined to purchase guaranties for stated quantities, possibly at fixed prices, which will assure Rumania a regular and secure market for these products.

(3) The development of existing, and the organization of new, agricultural industries and enterprises for the processing of agricultural products.

(4) The development of Rumanian forestry and lumber industries, and the organization of such lumbering and woodworking establishments as are deemed essential.

(5) The formation of mixed German-Rumanian companies for the exploitation of various mineral resources (copper, manganese, bauxite) and, particularly, Rumanian petroleum; the machinery is to be supplied by Germany.

(6) Provision is likewise made for collaboration in development of a wide range of other activities, including various industries, railway, highway, and waterway transportation, banking, and even public enterprises. Of particular interest is the envisaged cooperation between German and Rumanian banks and the application under German direction of new methods of financing the various activities proposed under the plan.

An unusual feature is the provision of free zones wherein German industrial and trade enterprises may be established with the necessary storing and shipping facilities to carry on operations much as in the free ports at various European harbors.

Finally, the agreement provides for Germany to supply armament and other equipment for the Rumanian army, navy, and air force, and the armament industry; this is presumably to be an important means for Germany to pay for imports of Rumanian products.

Administrative Provisions

The machinery for execution and supervision of the agreement is to consist, in the first place, of the inter-governmental committees established by the German-Rumanian trade agreement of March 23, 1935. The initiative in new undertakings is apparently to be entrusted mainly to certain economic organizations and to private firms (such as the I. G. Farbenindustrie and other German groups operating in close collaboration with the German Government) whose projects and plans will require the

approval of the Government committees, upon the receipt of which the necessary permits or approval of the Rumanian Government is to be granted.

Capital and other financial obligations arising under the plan are to be governed by the terms of the existing German-Rumanian payment agreement, though it is understood that the governmental committees will have some authority to prescribe the extent to which certain payments shall be in the form of capital goods - obviously German payments to Rumania.

POTENTIALITIES AND GENERAL SIGNIFICANCE

This agreement is clearly one of great significance, not only for Germany and Rumania, but also for the world at large. For the immediate future, the political implications entirely overshadow the economic, since it is obvious that large-scale returns in the sense desired and aimed at by Germany cannot be achieved overnight.

Years will be required to reorient and build up Rumanian production to the point where it can bring thoroughgoing relief of Germany's pressing need for food-stuffs and raw materials. Yet the fact remains that the resources and economics of the two countries are complementary in a high degree and that Germany has a proved capacity, given time and opportunity, to bring about the type of economic transformation here envisaged.

A cursory examination of Rumanian potentialities shows that Rumania is by no means the answer to all of Germany's nutritional and raw-material problems, even allowing for a very substantial rise in the level of production. Yet the country does have certain important possibilities of increased production; and, in the agricultural field where the United States would be most affected, it is entirely within the realm of practicability to expand the output of certain products to meet nearly all, and in some instances all, of Germany's import needs. The development of Germany's imports of Rumanian agricultural products and raw materials (including half-fabricates) during 1929-1938 is shown by table 1. Import data for the more important individual products involved for 1936-1938 are set forth in table 2 on page 160.

Table 1. German imports from Rumania, by value, 1929-1938 a/

| Year | Live animals | Foodstuffs and beverages | Raw and semi- finished goods | Finished goods | Total goods imported |
|-------------------|--------------------|-----------------------------|---------------------------------|--------------------|-------------------------|
| | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| | <u>reichsmarks</u> | <u>reichsmarks</u> | <u>reichsmarks</u> | <u>reichsmarks</u> | <u>reichsmarks</u> |
| 1929..... | 1,474 | 137,728 | 68,572 | 3,080 | 210,854 |
| 1930..... | 2,237 | 164,678 | 66,890 | 3,119 | 236,924 |
| 1931..... | 2,455 | 55,411 | 41,522 | 3,052 | 102,440 |
| 1932..... | 1,850 | 46,161 | 24,105 | 2,324 | 74,440 |
| 1933..... | 2,046 | 19,342 | 23,415 | 1,325 | 46,128 |
| 1934..... | 2,965 | 26,582 | 28,654 | 808 | 59,009 |
| 1935..... | 3,360 | 15,956 | 59,759 | 790 | 79,865 |
| 1936..... | 3,864 | 13,823 | 73,277 | 1,362 | 92,326 |
| 1936 <u>b/</u> .. | 3,864 | 20,381 | 67,378 | 703 | 92,326 |
| 1937 <u>b/</u> .. | 4,315 | 105,690 | 68,184 | 636 | 179,507 |
| 1938 <u>b/</u> .. | 5,245 | 78,618 | 55,104 | 511 | 140,415 |

a/ 1 reichsmark = 40.1 cents at average rate of exchange for March 1939.

b/ New classifications, not fully comparable with preceding years.

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Rumanian Agricultural Potentialities

Feedstuffs - Rumania's greatest latent agricultural potentialities lie in the production of feedstuffs, the surplus of which could be supplied to Germany either as feed or in the form of livestock, or both. The best chances are undoubtedly in corn and barley, both of which Rumania has long exported to Germany, barley formerly in larger volume than in recent years. Despite natural advantages comparable to those of the United States and Argentina, Rumanian average yields are relatively low - for corn about 10 metric quintals per hectare (16 bushels per acre) against 15 quintals (24 bushels) in the United States and 18-20 quintals (29-32 bushels) in Argentina, and for barley about 8 quintals (15 bushels) against 11 quintals (20 bushels) in the other two countries.

An increase of only 10 percent in the case of corn^{1/} would mean 20 million bushels as contrasted with average German imports of about 28 million bushels, of which Rumania already supplies around 4 million bushels (in 1937, 14.7 million). As for barley, Rumania 10 years ago normally exported to Germany anywhere from 14 million to 32 million bushels annually, or more than double Germany's total imports from all sources in recent years. There is ample scope for redeveloping this trade.

Oilseeds - There are also believed to be practical possibilities of developing an important direct contribution to German fat supplies in the form of oilseeds, particularly soybeans, the acreage of which has been expanded from nothing a few years ago to 156,000 acres in 1938. German oilseed imports from Rumania totaled only 132 million pounds in 1938 (33 million in 1930), a mere fraction of the now somewhat reduced total imports of around 3.7 billion pounds annually, but the new agreement definitely contemplates a large increase in oilseed acreage, especially of soybeans.

Much pioneer work has already been done in this connection, and it is believed that the contract price of 5,000 lei per metric ton (1.6 cents per pound)^{2/} - earlier only 3,000 lei (1 cent) - now offered by the Soja S.A.R. (a company formed in Rumania by the I. G. Farbenindustrie to develop soybean production) will greatly stimulate interest in this crop, average yields of which have risen steadily from 446 pounds per acre in 1935 to 812 in 1938. All soybeans grown under these contracts are destined, by agreement, for Germany. Present exports can probably be increased by several hundred percent, with great relief for Germany at perhaps the weakest point in the food situation, since that country now has to pay in foreign exchange for much of its oil-bearing raw material, especially soybeans; yet it also seems clear that Rumania will probably never supply more than a substantial fraction of such requirements.

Livestock and other farm products - Livestock, especially hogs, likewise offer very significant possibilities. Rumania possesses in corn the feedstuff basis for a hog-producing industry of much greater magnitude than heretofore developed but has always been prevented from realizing on this natural advantage because of inability to export more than a maximum of about 250,000 hogs annually in competition with other Danubian countries. The recent negotiations with Germany have apparently envisaged an annual export surplus of 500,000 head, practically all of which would move to German markets, either alive or as pork. Such figures are easily within Rumania's capacity, given a market outlet at satisfactory prices such as Germany is apparently prepared to guarantee to Rumania.

^{1/} Some progress along this line has already been made under measures taken by the Rumanian Government, particularly during the last few months. The utilization of good seed material has been promoted, and an increase in corn acreage for 1939 has been encouraged. Moreover, autumn plowing of the prospective corn acreage has been on almost double the usual scale, inasmuch as the peasants have been actively encouraged to plow in the fall and not leave all the work for spring. As a consequence, some observers anticipate that the Rumanian corn yield will be the highest thus far obtained under equal climatic conditions.

^{2/} 100 lei = 71 cents at the average rate of exchange for March 1939.

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Other farm products in which trade can be expanded are fibers and fruits; i.e., flax, hemp, apples, and prunes. Germany needs them all, and by obtaining them from Rumania would be able to use clearing agreements with other countries to better advantage in obtaining other essential imports.

Socio-psychological Considerations

Unlike the managers of the large Rumanian estates before the war, the peasants who now own most of that land are not familiar with the more advanced cultivation methods and are generally reluctant to adopt practices that deviate from their crude and simple farming usages. These problems are formidable and cannot be solved overnight. There are also difficulties arising from the existing social and economic psychology formed under the influence of the past and the racial composition of the population. Yet, with the impetus that a modernization of Rumanian farming may receive under German cooperation or direction now provided for, a certain increase in efficiency and agricultural productivity in general may be expected.

Long-Term Prospects Tentatively Appraised

This agreement will clearly require considerably more than a 5-year period to bring large returns in the sense desired by Germany. Moreover, since it provides for consideration of Rumania's requirements for exports to other countries and is based upon the principle of bilateral balancing, it is obvious that increased exports to Germany under the agreement will depend not only upon the ability to increase Rumanian production but also upon Rumania's ability to absorb a correspondingly larger quantity of German industrial goods in payment thereof.

If Germany can induce the Rumanian Government to launch out on a program of large public expenditure for rearmament, transportation facilities, and other public enterprises not involving consumer goods, the problem of payments may not be one of immediate difficulty, and may not be the governing factor in the agreement. There is at least a certain possibility that Rumania, for political reasons, may not be a willing partner; and, in the last analysis, much of the success of this agreement will depend upon the active collaboration of both parties.

Rumania undoubtedly recognizes the economic advantages of larger production and export trade but also fears the possible political results of still greater economic dependence upon one market, where 50 percent of the country's total exports already go. Rumania's real attitude toward the agreement will appear only in the course of time. The possibility is also not to be overlooked that the agreement has political aspects not yet apparent, and, that it might be completely upset, in its present form, by the German policy of eastern expansion.

For the present, however, the plan has been accorded fairly wide recognition as one daring in conception but essentially sound from an economic standpoint, provided good judgment is exercised in its development and political considerations do not upset the bases upon which it has been established. A striking illustration of its appraisal has been an immediate rise in the quotation of Rumanian loans on the Paris Bourse.

Significance to the United States

As far as the interests of the United States are concerned, the agreement is of no immediate significance, except that Rumanian exports of agricultural products to other Western European countries will probably be very substantially curtailed. Its longer-range implications must be seriously considered, however, if developments

of the next year or two should demonstrate that it is going to function. Germany regards the present pact as but a forerunner of similar agreements linking that country with all of eastern and southeastern Europe in a broad, semi-exclusive scheme for the exchange of industrial for agricultural products in a degree calculated to give Germany essential independence of foreign-controlled sources of supply, especially those overseas. If this pact proves workable, it will be followed by others - perhaps even before it has been tested - and every such agreement is but one more obstacle in the path of the United States toward regaining agricultural export outlets in Europe.

Table 2. German imports of selected foodstuffs and raw materials
from Rumania, 1936-1938

| Commodity | 1936 | 1937 | 1938 |
|---------------------------------------|--------------|--------------|--------------|
| | 1,000 pounds | 1,000 pounds | 1,000 pounds |
| Cattle..... | 7,107 | 86 | - |
| Hogs..... | 1,572 | 4,923 | 11,033 |
| Other live animals, excl. horses..... | 3,757 | 5,063 | 2,550 |
| Meat and meat products..... | 13,360 | 7,752 | 4,766 |
| Casings..... | 379 | 358 | 284 |
| Lard and tallow..... | 39 | - | 390 |
| Eggs, whites of egg, yokes..... | 1,932 | 6,944 | 1,845 |
| Wheat..... | 44 | 87,231 | 463,127 |
| Rye..... | - | 133,228 | 10,361 |
| Feed barley..... | 39 | 75,393 | a/ 313,266 |
| Oats..... | - | 4,951 | 1,642 |
| Corn, Dari..... | 2,354 | 821,574 | 32,029 |
| Other grains..... | 142 | 346,813 | - |
| Seeds, excl. oilseeds..... | 5,846 | 3,501 | 7,460 |
| Legumes for human consumption.... | 19,582 | 29,847 | 10,841 |
| Legumes for livestock feed..... | 24,522 | 32,530 | 13,303 |
| Fruit, excl. southern fruits..... | 25,031 | 34,614 | 23,637 |
| Oilseeds for human food..... | 65,532 | 119,379 | 131,835 |
| Oil cake..... | 82 | 24,937 | 5,664 |
| Bran..... | 3,084 | 21,732 | 5,809 |
| Raw tobacco..... | 33 | 2 | - |
| Wine..... | - | 4 | 2,546 |
| Wool..... | 775 | 509 | 320 |
| Wood and wood pulp..... | 34,975 | 20,887 | 44,163 |
| Timber (for building, etc.)..... | 1,433 | 4,498 | 3,149 |

a/ All barley; brew barley previously under "other grains."

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COOPERATIVE SOCIETIES OF MEXICO EXEMPT FROM TAX PAYMENTS

The most recent effort of the Mexican Government to give encouragement to the cooperative movement in Mexico was made on December 27, 1938, in the form of a Presidential decree that exempted the legally constituted cooperative societies from the payment of a number of taxes.

This exemption, according to a report of the United States consulate at Mexico City, involves only the portion of the specified taxes collected by the Federal Government and is limited to a 5-year period with respect to all the taxes stipulated except the income tax. The exemption for the latter is permanent.

Exemptions granted to qualified cooperatives for a 5-year period apply to the production tax, the electric-power tax, the stamp tax, and the mining-claims tax, as well as the taxes imposed on metallic compounds, the use of Federal waters, and commercial fishing and hunting. In addition, it is provided that cooperative societies engaged in the exploitation of communal or *ejidal* woods shall enjoy a reduction of 50 percent of the tax on forestry exploitation, provided, however, that they are not producing or exporting chicle or stipulated precious woods and other forestry products.

To be eligible for these fiscal privileges, the cooperative societies must be registered at the National Cooperative Registry and must not be engaged in the production, acquisition, or marketing of alcoholic beverages.

This decree, which became effective on December 30, 1938, represents a continuation of the policy of the present Government of Mexico to encourage the formation and development of cooperative societies in that country.

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YUGOSLAV GOVERNMENT TO CONSTRUCT NATION-WIDE WAREHOUSE SYSTEM

A measure of great importance to the farming industry of Yugoslavia, providing for the construction of officially supervised public warehouses for farm products at strategic locations, was put into effect recently by the Government of that country, according to a report received from Consul Robert B. Macatee at Belgrade.

Yugoslavia is poorly supplied with warehouses and with facilities for grading and standardizing farm products, according to the report. As a result, farmers are forced to dispose of their crops under adverse conditions. On April 1, 1938, the Minister of Agriculture was authorized to draft plans providing for an adequate system of warehouses for farm products; and on June 21, 1938, steps were taken to establish a joint-stock company to carry out the plans.

The company, known as the Privileged Company for Warehouses, was registered on August 15, 1938, with head office at Belgrade. Its functions include the formulation of plans for the construction of warehouses, determination of the localities where they are to be constructed, their actual construction, and their maintenance after construction. Areas required for the construction of warehouses and storage

facilities may be expropriated by the company. The company is also authorized to accept agricultural products and other goods for storage, cleaning, drying, and sorting and to issue loans on goods accepted for storage.

Three types of warehouse facilities are to be constructed, namely, collective, distributive, and terminal. The collective warehouses will be located in regions where surpluses of farm products are regularly available. The distributive warehouses will be placed in the centers in which the products are largely consumed. The terminal facilities will be located in export centers.

A special board will be set up for the purpose of fixing standards for all farm products that are likely to be placed in storage. The establishment of such official grades and standards will make it possible to give farmers using the warehouse system official and negotiable warehouse receipts showing the type, quantity, and quality of the products placed in storage.

It was officially announced that, through the adoption of the warehouse-construction program and the establishment of grades and standards for farm products, the Government hopes not only to bring about an all-round improvement in conditions affecting the marketing of such products but also to eliminate conditions that in the past forced farmers either to dispose of their products at unfavorable prices or to sustain heavy losses because of unsuitable and inadequate storage and warehouse facilities.

With the completion of the construction program, farmers not only will be able to secure loans on products placed in storage but will no longer be compelled to dump large proportions of their crops on the market immediately after harvest. Greater stability in prices will thus be assured. In addition, the new warehouse system is designed to insure the availability of adequate food supplies in the interests of national defense.

Wheat will constitute one of the principal commodities benefited by the new warehouse system. The plan, however, provides for the construction of storage facilities for other cereals as well as for many other types of products, including wool, and for refrigeration for fruits and vegetables, livestock products, dairy products, and eggs.

The control of the construction activities of the Privileged Company is vested in the Minister of Commerce and Industry. The company will operate, however, as a joint-stock company under an administrative board with an initial capital of 220 million dinars (approximately \$5,000,000), to which the State is the principal subscriber, other subscribers being State banking institutions and cooperatives. The management of the organization as a joint-stock company was regarded as promising more satisfactory administration than could be achieved by direct State management. The company is exempted from all forms of taxation and from import duties on imported equipment and supplies for its own use.

The fees to be charged by the company for storage, loading and unloading, cleaning, and drying will be fixed by the Minister of Commerce and Industry in consultation with the Minister of Agriculture and the administrative board. The company will not be permitted to engage in trade for its own account or for that of another party, but it may perform all transactions provided for in the Yugoslav law governing public warehouses. Specific regulations covering the individual phases of the company's business are to be issued by the Minister of Commerce and Industry and the Minister of Agriculture.

JAPAN ADOPTS TEN-YEAR PLAN FOR AGRICULTURE IN TAIWAN

The Bureau of Productive Industries of Taiwan has recently announced the adoption of a Ten-Year Plan designed to bring about an expansion in production of crops which that large subtropical part of the Japanese Empire, for economic and climatic reasons, is best suited to produce, according to a report received in the Foreign Agricultural Service from the American consulate at Taihoku, Taiwan.

Special attention is to be devoted to rice, sugar cane, cotton, castor beans, sweet potatoes, jute, and ramie. One of the main objectives is to bring about a greater diversity in the agriculture of Taiwan, according to the report. It is pointed out in that connection that rice is such a profitable crop in Taiwan that, unless its cultivation is regulated, farmers devote little attention to other crops that can be grown and for which there is a great need in the Japanese Empire. Since rice can be grown in other parts of the Empire, the use of land for rice production in Taiwan is to be limited so that more land will be available for other crops.

The area under rice, therefore, is to be kept at a fairly constant level but attempts are to be made to increase yields per acre. Two rice crops are grown each year in Taiwan, the area cultivated for the first crop amounting to 729,000 acres in 1937 and that for the second crop to 896,000 acres. The production from the two crops totaled 84,000,000 bushels, of which approximately 50 percent was exported to Japan. The Ten-Year Plan calls for increases of only about 10 percent in acreage but of about 15 percent in yield by 1948. The surplus rice crop is to be purchased by the Taiwan Government, and profits made on its sale will be used to subsidize the production of other necessary crops.

Sugar-cane production is also to be increased. The 1937-38 crop totaled 9,234,000 short tons from 281,000 acres, or approximately 33 tons per acre. Under the Ten-Year Plan, it is proposed to expand the area planted by 1948-49 to 410,000 acres and the production to about 16,000,000 tons, which would be equivalent to a yield of about 39 tons per acre. This represents an increase of about 45 percent in acreage and of 73 percent in total annual production. Sugar cane is Taiwan's most important export and is being used increasingly by the Japanese in the manufacture of alcohol and pulp.

Cotton cultivation is but a recent development in Taiwan, cotton having been grown commercially only during the past 2 years. The area under cultivation in 1937 was estimated at 10,550 acres, from which a crop of 4,345,300 pounds of seed cotton was harvested, or approximately 412 pounds per acre. The plan calls for increasing the area planted to 180,000 acres and the crop to 141,536,000 pounds of seed cotton, equivalent to about 780 pounds per acre by 1948. The plan calls for the joint cultivation of cotton with other crops (mainly sugar cane) to the extent of about two-thirds of the eventual maximum acreage.

Special emphasis is to be placed on expanding the output of castor beans because of the value of the oil for military purposes and because the climate of Taiwan is suitable for the crop. Up to the present time, farmers have found other crops more profitable. It is estimated that only 19,200 acres were devoted to castor beans in 1937. These yielded a crop of 4,158,000 pounds of beans, or approximately 217 pounds per acre. Under the plan, the planted area is to be increased progressively each year until it reaches 28,800 acres yielding 23,810,000 pounds of beans, or approximately 830 pounds per acre, by 1948.

The sweet-potato crop is to be increased mainly because of its increasing use for alcohol production. In planning for increased production, the acreage is to

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remain constant at its 1937 level of 343,500 acres, but production is to be expanded from the 1937 level of 195,000 short tons to 290,000 tons by 1948. This 49-percent increase in output, therefore, is to be accomplished entirely by improved cultural practices.

The plan provides for expanding jute production to the point where Taiwan will be able to supply the entire requirements of the Japanese Empire. At present, most of the supplies are imported from British India. The plan provides for increasing the 1939 area under jute to five times that of 1937. Increased production thereafter is to be the result of improved methods of production. In 1937 the Jute area amounted to 12,500 acres, yielding a crop of 13,540,000 pounds, or approximately 1,083 pounds per acre. It is expected that with 62,120 acres under jute the crop by 1948 will amount to 111,840,000 pounds, or 1,800 pounds per acre.

The Taiwan soil and climate are said to be especially favorable for the production of ramie, and it was at one time an important item of export to China. It is estimated that 4,670 acres were devoted to that crop in 1937, from which 3,065,000 pounds were harvested, a yield of 656 pounds per acre. Under the Ten-Year Plan, the area planted to ramie is to be increased steadily until it reaches 13,000 acres in 1943. Thereafter the acreage is to be kept at a constant level, but yields per acre are to be increased until by 1948 the crop from 13,000 acres is to amount to 16,551,000 pounds, or 1,270 pounds per acre.

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GERMANY TO START EVER-NORMAL GRANARY

Practically all legislative measures dealing with the grain economy of Germany during the past 2 years have been directed toward the development of grain reserves with a view to leveling out the effects of fluctuations in harvests and assuring adequate supplies in periods of declining imports, according to a report received in the Foreign Agricultural Service from its office at Berlin.

The adoption by Germany of the ever-normal granary idea was definitely undertaken during the 1937-38 season, when grain stocks were substantially increased by larger imports. Again, as a result of the record post-war grain yields in 1938, the Government took steps to provide new storage facilities.

The German census of 1935 revealed that the available grain-storage facilities of the nation could accommodate 5,700,000 short tons of grain. This was not deemed adequate, and governmental subsidies were provided at once for the construction of storage capacity for an additional 440,000 tons. Because of the record 1938 grain crop, however, the Reich Office for Grains, Feedstuffs, and Other Agricultural Products found it necessary, despite the obligations on mills to store a 2-months' supply of grain, to requisition storage space for roughly 2,000,000 tons.

This is the first time that the full extent of the shortage in grain-storage facilities in Germany has been noticeable. In addition, increased storage facilities are needed for potato flakes, starch, sugar-beet chips, and other products, the production of which has been increased greatly in recent years. The German Ministry of Agriculture, accordingly, has been requested by the Commissioner for the Four-Year Plan to expedite the completion of storage space for an additional 2,200,000 tons of grain. The new facilities will be constructed by private industry unless it proves incapable of providing the necessary space in the required time.

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With a view to assuring the speedy completion of the construction program, standard types of grain silos have been decided upon with capacities of 330,5550, and 1,100 tons, respectively. In addition, a number of silos of 5,500- and 11,000-ton capacity are to be erected for Reich account, as well as a number of sheds with a capacity of 3,300 tons each. The location of storage facilities constructed out of Reich funds will be fixed in accordance with the best interests of the grain industry and national economy.

The new storage-construction program has been placed under the general supervision of the Reich Office for Economic Expansion. Upon completion, sufficient space will be available for large-scale grain storing in Germany. It is believed by the German authorities that with the completion of the ever-normal-granary program Germany will be able to meet any emergency due to short crops or reduced imports.

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EGYPTIAN GOVERNMENT CONTEMPLATES AID TO COTTON GROWERS

The recent fall in cotton prices has received considerable attention from the Egyptian Government, according to information received from the American consul at Alexandria. Great pressure is being exerted on the Government to purchase surplus cotton and thus relieve the market. In January 1939, the Alexandria Cotton Exchange, on the advice of the Egyptian Government, fixed minimum prices for the various types of Egyptian cotton dealt with on the Exchange. These prices, however, were in effect only from January 14 to January 16, inclusive. On the other hand, a margin of \$2 per 100 pounds on short sales, which was established at the same time in order to discourage this sort of trading, remained in effect for a longer period. The market responded almost immediately to the official action. Sudden introduction of minimum prices and practical banning of short selling provoked a favorable, though temporary, psychological reaction.

At the same time, the Cotton Advisory Council, which was established by the Government on December 18, 1938, for the purpose of exploring the cotton situation and assisting the authorities in formulating a cotton policy, became active. This body meets under the chairmanship of the Minister of Finance and is composed of 38 members, including Government officials, cotton growers and exporters, bankers, and economists. At its meeting on January 13, 1939, the Coordination Subcommittee of the Council made the following recommendations:

That the Government take steps to recover some of the outstanding debts owed to cotton exporters by countries with currency restrictions, such as Rumania and Sudetenland.

That the Government endeavor to come to terms with those countries wishing to barter for Egyptian cotton.

That the clause in cotton contracts to the effect that cotton should be offered to nonmembers at least 3 days before the day fixed for sale be enforced.

Further recommendations were made by the Cotton Advisory Council at later meetings. In the Chamber of Deputies on February 21, 1939, the Egyptian Minister of Finance, in reply to a question from a member of the House, indicated that the Egyptian Government was in agreement with the Coordination Subcommittee of the Council on the following suggestions for checking the fall in Egyptian cotton prices:

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1. To require a deposit of 4 piasters per kantar on short sales (about 20 cents per 100 pounds).
2. To fix minimum prices.
3. To withdraw 1,600 bales of Sakellaridis cotton from the market for export with the financial support of the Government. (This quantity is of old stock and has weighed heavily on the Sakellaridis market for a long time, being carried over year after year. The Government is not to buy this cotton but will share any financial loss that may result from its removal from the market by export.)
4. To help exporters recover frozen credits.
5. To study the possibilities of barter.
6. To enter into negotiations with the United States regarding the prohibitive duty on long-staple cotton.
7. To endeavor to open the Spanish market.
8. To find new markets.
9. To study the question of carrying premiums between future months.

The Minister of Finance added that the Government considered the fulfillment of these proposals would help a great deal to improve the situation.

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POLAND TO ESTABLISH A HEMP-PRODUCTION INDUSTRY

An agreement providing for the establishment of a hemp-production industry in Poland was recently entered into by the Lemberg Chamber of Agriculture in Lemberg and the Association of Cotton Yarn Producers in Lodz, according to a report received from the Berlin office of the Foreign Agricultural Service. If successful, it will no doubt result in other agreements similarly based on the principle of cooperation between agriculture and industry.

Under the agreement, the agricultural bodies of a number of districts in eastern Poland will plant around 1,200 acres in hemp this year. The Association of Cotton Yarn Producers in turn assumes the obligation to provide the necessary seed and to buy up the fall harvest of hemp straw.

A crop of about 4,000 short tons of hemp straw is anticipated. All of it is to be processed in Lodz. The experiment is being conducted on a rather large scale to test the profitableness of raising and using hemp for the manufacture of fabrics.

Preliminary investigations by the Cotton Yarn Producers' Association indicated that Yugoslav hemp was especially suitable for processing to use in fabrics. The seed for the experiment was therefore purchased in Yugoslavia and was distributed to farmers to enable planting early in May.

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